

Item 24-1275: 2025 Executive Budget and Service Plan

Common Council

Wed, Oct 02, 2024 7:00PM

Mayor Jake Woodford 27:38

So, you already have your budget books. I see some of you have already started leafing, couldn't help yourselves, but I want to provide just an overview, as I do each year, of key themes from the budget, and then we'll get into our work together as you as you start to go through the budget books and get yourselves acquainted and ready for discussions later in the month. So, we'll get right into it here.

Mayor Jake Woodford 28:07

So just a quick overview of the 2025 budget. Services are maintained or enhanced, and actually this includes a fire service level upgrade for the Appleton Fire Department to paramedic engine companies. Progress on employee compensation continues with this budget. We also had an excellent year of health insurance performance. Infrastructure improvements continue, aided by new wheel tax funding. Capital Budget is generally focused on maintenance and adheres to our debt strategy.

Mayor Jake Woodford 28:38

Implementing incremental user generated fee adjustments for council directions. So, we heard the feedback from Council about waiting a long time to make fee adjustments and then having to do large increases. So, we've been much more intentional about that through the budgeting process.

Mayor Jake Woodford 28:54

ARPA funds are fully obligated and/or designated. So even if they haven't gone through that obligation process, they are designated and earmarked. So, we're not anticipating returning any of these funds at the end of 2024.

Mayor Jake Woodford 29:07

And no major structural changes in the 2025 executive budget and service plan. So, you recall last year a significant structural change, moving forestry into the stormwater utility. Nothing of that sort in the '25 budget.

Overview - 2025 Executive Budget



- Services maintained or enhanced (including AFD service-level upgrade)
- Progress on employee compensation; excellent health insurance performance
- Infrastructure improvements continue, aided by new wheel tax funding
- Capital budget generally focused on maintenance; adheres to debt strategy
- Implementing incremental user-generated fee adjustments per Council direction
- ARPA funds fully obligated and/or designated; not anticipating returning any of these funds
- No major structural changes to the 2025 Executive Budget and Service Plan

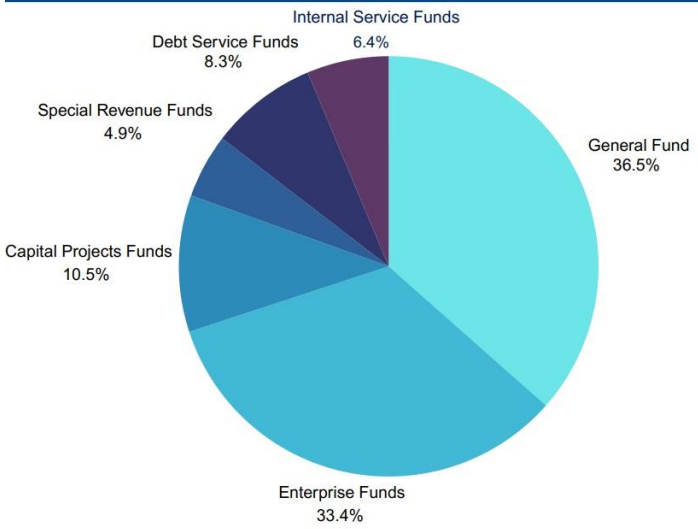
Mayor Jake Woodford 29:24

It's a breakdown of expenditures by fund group. Generally—yeah, we gotta keep it open.

Mayor Jake Woodford 29:34

All right, so expenditures by fund group. I won't spend a lot of time on this. Generally, similar to years past, and these are also available in your budget books so I won't belabor the point on this slide.

Expenditures by Group

General Fund (payroll and operating costs)	\$ 72,957,308
Enterprise Funds (All Utilities)	\$ 66,820,447
Capital Projects Funds (TIFs and public works)	\$ 21,007,792
Special Revenue Funds (grants and wheel tax)	\$ 9,880,438
Debt Service Funds (bond payments)	\$ 16,525,750
Internal Service Funds (facilities and CEA)	\$ 12,602,584

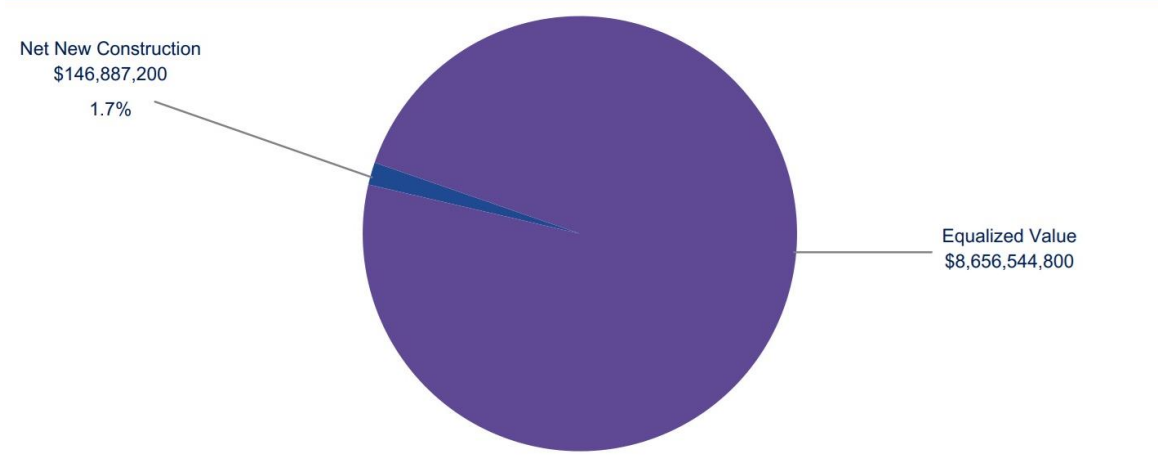
02

Mayor Jake Woodford 29:48

Net new construction. So again, really good year of net new construction the city of Appleton, about 147 million dollars of new construction activity.

That's really, really good. This—when you when you put that over our equalized value of about \$8.7 billion, that yields a net new construction rate of only 1.7%, and that establishes the levy limit, the levy increase limit for us. So, 1.7%. This this is a couple of points better, a couple tenths better than what we were projecting in our budget. We'd been projecting about 1.5

2023 Net New Construction

rolling through most of the summer based on assessor data and Community Development data, but Calumet county punched way above its weight. So, the Calumet county section of Appleton—way above its weight—came in over 2.6% net new construction. That lifted us overall to 1.7 so good, good growth and development overall. I would not be surprised if this is better than the statewide average, or on par with the statewide average when, when this shakes out. But again, 1.7% put some challenges in front of us as we're trying to put this budget together. Certainly not, not just rolling from one year into the next without any scrutiny with that kind of increase.

Mayor Jake Woodford 31:14

This is just our table of FTEs. A couple of things to make note of. You'll see reflected here some of the shifts between forestry moving into storm water. So, there's a couple of couple of changes there. There are two FTEs added to the library, which brings up our total. Those are related to building operations as we move back into the new library and have some new operational needs within the facility, but able to accomplish this and also bring back the operating budget for the library that had been pulled down for the last couple of years while we were operating out of that temporary facility. So, a couple of FTEs there.

CITY OF APPLETON
2025 BUDGET
Budgeted Full-Time-Equivalent Personnel Positions

DEPARTMENT	2022	2023	Adopted 2024	Amended 2024	2025
Finance	8.20	9.20	9.20	9.20	9.20
Fire	96.00	96.00	96.00	96.00	96.00
Health	12.03	13.13	13.13	14.23	14.73
Health Grants	1.45	2.45	2.45	2.45	2.45
Information Technology	10.20	10.20	10.20	10.20	10.20
Legal Services	8.67	8.67	8.60	8.60	8.60
Library	45.00	45.00	45.00	45.00	47.00
Library Grants	0.50	0.50	0.50	0.50	-
Mayor	4.00	4.00	4.00	4.00	4.00
Facilities Management	10.26	10.26	10.26	10.26	10.26
Facilities Capital	1.68	1.68	1.68	1.68	1.68
Parks & Recreation	16.39	16.39	16.56	16.56	16.56
Reid Golf Course	2.70	2.70	2.90	2.90	2.90
Human Resources	6.15	6.15	6.15	6.15	6.15
Risk Management	2.98	2.98	2.98	2.98	2.98
Community & Economic Devel.	16.93	25.68	25.38	25.38	25.38
Housing, Homeless & Block Grants	2.35	2.35	2.35	2.35	2.35
Police	140.00	140.00	140.00	140.00	140.00
Public Works	61.69	52.94	43.99	43.99	43.99
Sanitation	17.80	17.80	17.80	17.80	17.80
CEA	14.88	14.88	14.88	14.88	14.88
Parking	10.54	10.54	10.54	10.54	10.54
Capital (TIF, Subdivision, etc.)	7.71	7.71	8.38	8.38	8.38
Stormwater Utility	20.46	20.46	29.41	29.41	29.41
Water Utility	35.00	35.00	35.38	35.38	35.38
Wastewater Utility	29.29	29.29	30.91	30.91	30.91
Valley Transit	61.10	61.10	61.10	61.10	61.10
Total Regular Employees	643.94	647.04	649.71	650.81	652.81



2025
Budgeted
FTEs

04

Mayor Jake Woodford 32:02

Compensation/Benefits. This budget recommends a 3% merit-based increase for non-represented employees. One of the things I want to note for the Council is that when we start our budget process, we actually start with a conversation about compensation for our employees. So that's something that we hold to as we work our way through the process. So, a 3% merit-based increase for our non-represented employees. And of course, represented employees are in contracts, and so those, those will just move forward as it's spelled out in the contract.

Mayor Jake Woodford 32:37

Health insurance cost increase of 3% for 2025. This is outperforming the average double-digit trend increases across our benefit broker's book of business when we asked our broker, "How are we looking, coming in at 3%?" So that's really, really good. Most of his book of business is, again, more than double our increased. So, a couple of things are helping us. Connecting Care Clinic is has been incredible, and you can see this here in the numbers. We relocated and actually reduced the operating cost of the Connecting Care Clinic. We also, we also see a return on investment of the for the Connecting Care Clinic of \$972,000, so it's a tremendous return on investment and providing a great service for our employees and families.

Compensation and Benefits



- **3% merit-based increase** for non-represented employees
- Health insurance cost increase of 3% for 2025, **outperforming average double-digit** trend increases across our benefit broker's book of business

Program highlights in 2024 include:

- The Connecting Care Clinic **successfully relocated** to a new location at a cost-savings
- The Connecting Care Clinic had a **return on investment of \$972,145** through June 30th
- Implemented a new specialty drug cost savings program through PrudentRx, achieving a **return on investment of \$73,108** through August 31st
- Implemented a new wellness and preventive care incentive program through Proximal. This program **encourages smart healthcare choices** and offers up to \$ 1,500 in cash incentives for selecting quality providers. The return on investment was 3.8x through September 30th for claims savings of \$285,000

05

Mayor Jake Woodford 33:30

We implemented that new specialty drug cost savings program called Prudent RX, and that's achieving a return on investment of \$73,000 through August 31. We also implemented new wellness and preventive care incentive program through Proximal. So, this this is the program that encourages folks, if they're going to have a procedure, to look at look at a list of providers, and consider other options that might be less expensive but also high quality, and the return on investment of this program was 3.8x and the savings so far have been about \$285,000 in savings. So, these are these are huge for us as we're trying to manage plan costs overall for health insurance.

Mayor Jake Woodford 34:18

I also think it's worth noting that with a self-funded plan and a relatively small risk pool, a big part of it is just that we had a we had a good claim year, and you can, you can swing depending on claim activity, on the plan from one year to the next. But in any case, coming in at a 3% increase is very good news for our taxpayers, also good for plan participants now that there is an employee share for premium costs.

Mayor Jake Woodford 34:50

So, we talk a lot about workforce and talent strategies. Just a couple of themes that we're seeing. Generational shifts in the workforce. This is this is huge for us as an organization. There's a lot of competition for talent, but one of the things that we don't always talk about is what's going on with our current workforce and what's

happening in the broader market, especially as generational shifts occur. So average tenure trends for—are shorter for incoming generations than outgoing. So, for example, average city employee tenure in the city of Appleton is 12 years.

Average Gen Y tenure nationwide is 2.5 years. So just generational trends driving some turnover, and that's something that we should expect as we as we move forward. So that's leading to some great conversations and some good work within departments around process documentation and also training programs to make sure that when we do have

turnover people are coming into a more robust training program, because we don't have the benefit of 12 or 24, 30-year career for somebody to figure out all the aspects of the work.

Mayor Jake Woodford 36:06

Challenges for us—attracting talented, qualified employees. We do really well. Our vacancy rate is, I would say, outstanding. That's thanks to the great work of our HR department and recruitment efforts, and also just the recruiting efforts that every department puts in, and our employees are some of our best recruiters. So, we've got a lot to be thankful for in that respect, but that remains a big challenge for us.

Mayor Jake Woodford 36:34

And then engaging and retaining top performers. So, once we get people in our organization, it's really important for us to engage people, have people feel connected and to feel appreciated, so that we can retain them. So, as you see, even tonight where we're recognizing employees in the organization, all of these efforts are very important to retaining our workforce and keeping people part of the city of Appleton, keeping our top performers in this organization.

Mayor Jake Woodford 37:06

So, some strategies, we're employing. Competitive compensation. So, as I mentioned, recommending a 3% increase. We have consistently been increasing our compensation for employees, doing our best to fight those market trends, and this is another step in that direction. Expanding our recruitment efforts, so reaching out in different ways and in different places through different means.

Mayor Jake Woodford 37:31

Offering more flexible work options where we can. Not every job lends itself to flexible work, but the but the positions that do, we're trying to be more flexible with that. We learned a lot of important lessons during the pandemic in terms of remote work and how that works and how it can work. So, our departments do a good job of managing that within their teams wherever it's possible.

Talent Challenges & Strategies



Generational Shifts in Workforce

- Strong competition for talent
- Average tenure trends shorter for incoming generations than outgoing (average City employee tenure is 12 years; average Gen Y tenure nationwide is 2.5 years (Source: Deloitte))

Top Challenges for the City

- Attracting talented, qualified employees
- Engaging and retaining top performers

Strategies

- Competitive compensation
- Expanding recruitment efforts
- Offering flexible work options
- Proactive planning for potential vacancies
- Developing leadership capacity through in-house and external training opportunities
- Building a culture that engages employees and recognizes achievements and excellence



Mayor Jake Woodford 37:55

Proactive planning for potential vacancies. We actually just did an exercise over the last year, called a nine box exercise, where we where we looked at our entire workforce and look—and thought about developmentally, what do people need? Where are they? What do we see from a succession perspective? and where are some areas where we need a little bit more work, or we need to be focused as we as we anticipate changes in those departments?

Mayor Jake Woodford 38:24

Developing leadership capacity through in house and external training opportunities. So, Mel is instrumental in that program. One of the programs that she runs is called the Thrive Academy, and that provides an intensive leadership development course for our employees. It's a multi week course. It's immersive and on par with the best corporate programs available and has been a huge success. New cohorts getting started soon. I think next week the next cohort kicks off. But this this is a great opportunity for our employees, and, again, something that we're able to deliver in house, so we're able to do that more cost effectively.

Mayor Jake Woodford 39:04

Just building a culture that engages employees and recognizes achievements and excellence. That is really important for us. It's not something that, personally, I'm great at, and so it's an area of my own personal development in terms of recognizing people, because it's like, "okay, we got that done; let's get on the next thing." But we need to take that time to recognize people and in ways that are meaningful for them. So, we're working hard on improving that, and we've got a lot of great partners in that work in this organization.

Mayor Jake Woodford 39:34

Just want to talk about grants and legislative successes. We on the theme of recognizing successes, I guess, so some major grants—grant awards supporting city priorities. Now this is just a sampling. This isn't all of them, so there are many more grants that we go for. There's also some recurring grants that we receive through great performance. But I

just wanted to highlight a few. The RAISE grant, of course, for the Transit Center, \$25 million grant the FTA bus and bus facilities grant for the Whitman facility, Valley Transit, another \$12 million. Public Service Commission Energy Innovation Grant for wastewater. This is cogen for converting waste heat to electricity, a

\$498,000 grant to do that. Wisconsin Department of Transportation traffic safety grants, \$219,000 there. I asked Chief to talk about this when we got the award, but the old Firehouse Subs grant, the \$24,000 grant for

Grant & Legislative Successes



Major Grant Awards Supporting City Priorities

- RAISE Grant - VT Transit Center - \$25,000,000
- FTA Bus Facilities Grant - VT Whitman - \$12,000,000
- PSC Energy Innovation Grant - WW - \$498,000
- Wisconsin Department of Transportation Traffic Safety Grants: \$219,000
- AFD - Firehouse Subs- \$24,000 for paramedic medical equipment

Legislative Successes

- Tactical EMS - SB829; providing statutory authority to properly equip non-law enforcement EMS providers who embed with tactical teams



Valley Transit received the RAISE Grant and FTA Bus Facilities Grant

paramedic medical equipment specifically, let me see video laryngoscopes. Yes, so that was kind of a we were throwing it out there; they'd never given a grant like that before, but, but gave it a shot and actually got the grant.

Mayor Jake Woodford 39:51

So, we're working really hard to secure grants wherever we can take advantage of those opportunities. It does take time and effort to put grants together, but as you can see, just from the sampling, we've had some pretty good successes, and we're going to keep investing our time and energy in going after grants that we feel are attainable and aligned with our priorities as a city. So, I'm hopeful that we'll continue to have great successes.

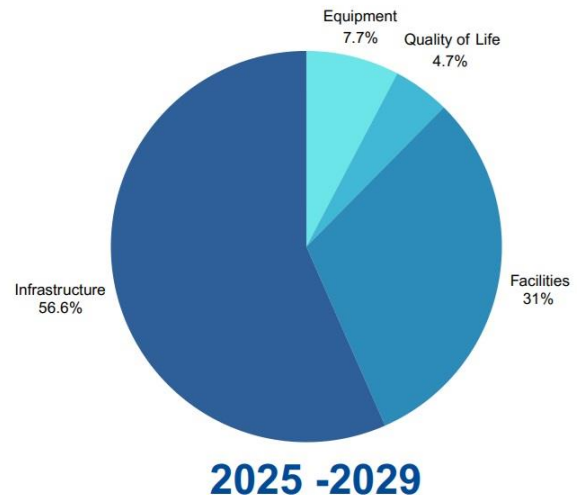
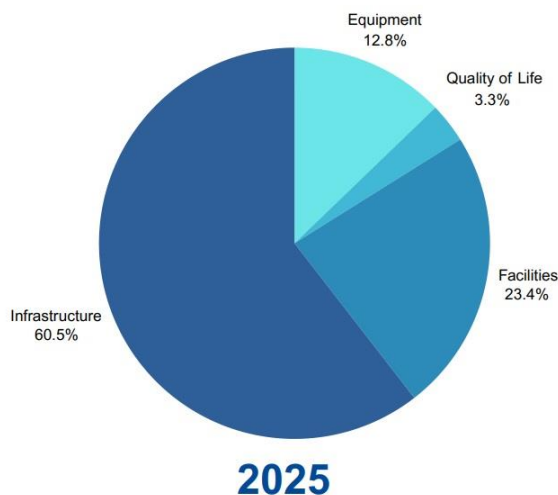
Mayor Jake Woodford 41:22

As we talked about earlier—I won't spend too much time on this—but the tactical EMS Senate Bill 829, for TEMS medics, a huge legislative success and just something that we can take a lot of pride in. The governor actually signed the bill here in the City of Appleton, in recognition of the work that was done by our team to bring it forward.

Mayor Jake Woodford 41:46

Capital Improvements program. This is just the overview of CIP categories. So, for 2025 60.5% infrastructure. Equipment coming in at 12.8. Quality of life 3.3. And facilities at 23.4. And then looking at the looking at the average for 2025 to 2029 infrastructure, 56.6% of our capital program, followed by facilities, quality of life, and equipment. And so just, just a general overview. So, as you get into your budgets, there's obviously more detail in there.

Capital Improvements Program



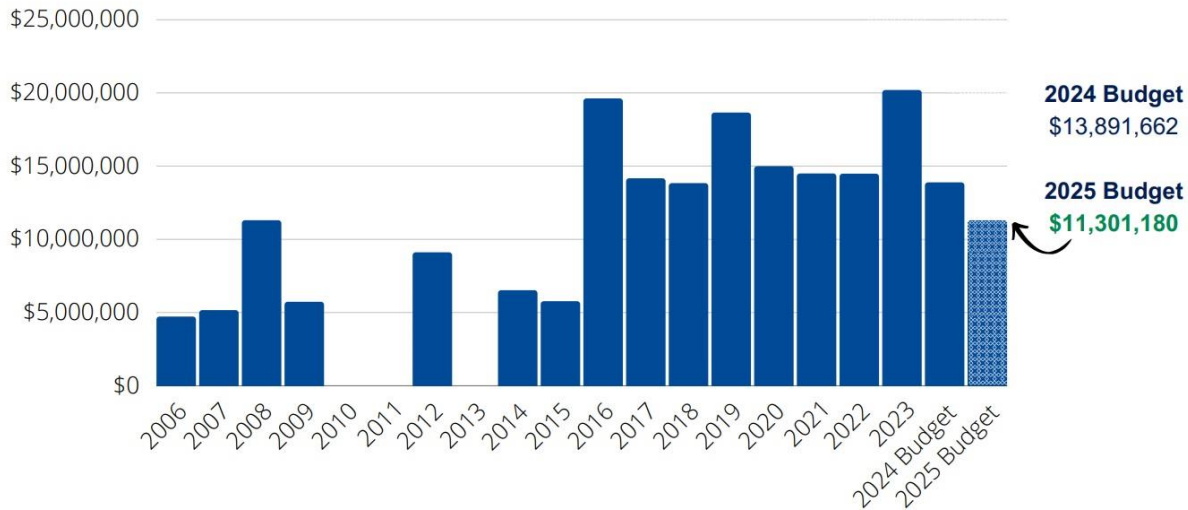
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Mayor Jake Woodford 42:25

Borrowing over time. So, this this just shows our annual debt issues over time. As you can see in 2025 this budget recommends \$11.3 million in debt, and this this represents the smallest new debt issue we've had since

2015 so we continue to make progress in this area. We do have significant capital projects in the out years of the capital budget. So MSB expansion and fire station four replacement. So there, are capital projects out there on the horizon, and those are things that we're going to have to think about and strategize on, but we've also had some good success with large capital projects by being strategic about when we when we start the project and when we're going to need that cash flow. So sometimes we're able to spread a project out over multiple fiscal years, to limit the annual impact in any in any single year. And so, we've had some good successes there, because what we're—bottom line, what we're trying to do is mitigate those unexpected large increases to the debt service levy for our taxpayers, really trying to stabilize that number. And this adheres to our long-range plan on debt management. So, we continue to operate within those parameters, and we're having some good successes.

Borrowing Over Time

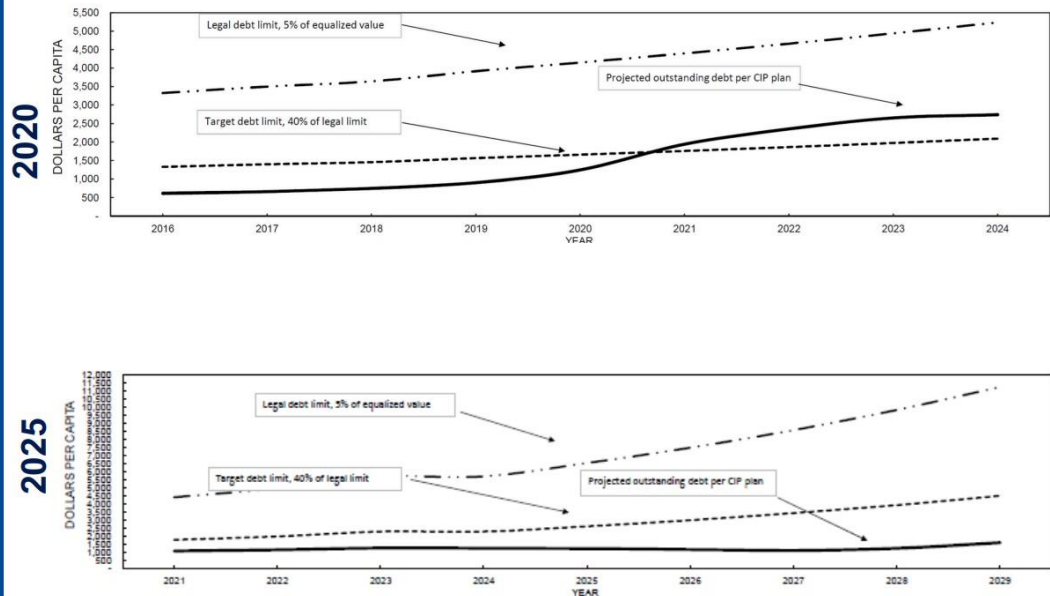


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Mayor Jake Woodford 43:54

Everybody knows it's my favorite chart, but this is the G.O. debt limit analysis. So going back to 2020, where we were headed versus where we sit today. So, with that debt management plan in place, as you can see, that that bottom, that bottom black line, the thicker line along the bottom, that represents our projected outstanding debt for the CIP plan, generally, generally flat. So, we've, we've taken this and really gotten a handle on our overall debt picture as a city, and that puts us in great shape, because we've got a lot more flexibility. We're also not pushing up. We're not even close to even the council established debt limit of 40% of the legal limit. So, there's a lot of flexibility for future Councils if need be for significant unexpected capital projects. There's capacity. Now that doesn't mean you should use that capacity, because that capacity means you're asking taxpayers to pay for it. So, you got to pay for the debt service, not free money, but, but we've, we've really bent this curve in a in a positive way, and again, people should be feeling the impacts of that.

G.O. Debt Limit Analysis

Mayor Jake Woodford 45:06


Ongoing challenges. These are going to be familiar themes. Revenue versus expenses. You know, it's a constant challenge for Wisconsin municipal governments. There have been some glimmers of hope, I'd say, between increases in shared revenue and inflation starting to ease. But the impact of those changes sort of lag for us. So, you know, it's not, it's not like, "Oh, CPI in August was down significantly, and it's closer to the Fed's target. Great news for the city." Not really. It's sort of like for all of us in our household budgets. It's not like prices are going down. It just means they're going up, not as quickly. So, we continue to have challenges here. When CPI is outpacing our rate of net new construction, it's always going to compress our budget and force some prioritization and tough decisions.

Mayor Jake Woodford 46:01

Volatility in key expense areas. So, I mentioned earlier, health insurance costs can swing dramatically from year to year. So last year recommended

increase 18%. This year 3%. So, some of those things are our market related, just cost of cost of goods and services, but some of them are also claimed activity on the plan. So, we'll savor the really good years we have and continue to be focused on managing wherever we can,

Ongoing Challenges



- **Revenue vs. Expenses**
 - Constant challenge for municipal governments in Wisconsin; though glimmers of hope between increases in shared revenue and easing inflation
- **Volatility in Key Expense Areas**
 - Health insurance costs can swing dramatically from year-to-year
 - Goods and services pricing have been rising; this is of particular concern with subscription-based models
- **Prioritization of Infrastructure**
 - Balancing need to maintain existing while also being forced to grow to sustain infrastructure and services

trying to limit our risk and help our employees be good healthcare consumers, and that helps to moderate some of that volatility, but it's out there.

Mayor Jake Woodford 46:41

Goods and Services pricing have also—they've continued to rise. And this is a particular concern with subscription-based models. And everyone's going to subscription-based models, even the car wash. So, we see that as a challenge, because when we get a piece of technology, proprietary technology, in place—I think Axon's a really good example of this. Axon's the best in the business at what they do, and so they really, they really own that market, and that presents real challenges in terms of price competitiveness, and we see that in a couple of different areas. So that's something that we watch and that we're careful about, but just something to know here.

Mayor Jake Woodford 47:21

And then prioritization of infrastructure. I would say, one of the challenges for us as we go through the comprehensive planning process and as we look at future budgeting, is balancing the need to maintain existing infrastructure while also being forced to grow to continue to sustain the organization and the services we provide, and also to add new infrastructure—right? So net new construction is awesome. Helps—it helps all of us in the community, and it also helps us pay for rising costs, labor, materials, etc. But when we're doing new development, greenfield development, we're also laying in new infrastructure. And so, we talked a lot in the past about Lightning drive, for example. That's great. That's going to unlock new development; they'll be a new tax base generated, additional housing supply. Also is expensive to make those infrastructure connections, and it's expensive to deliver the services. And so those are things that we have to weigh as we as we prioritize moving into the future, and that's something that we've talked about in the comprehensive planning process and something that we as a as a community, really need to get our heads around.

Mayor Jake Woodford 48:46

All right. So key dates. Wednesday, October 16, 3 to 5, I'm going to hold a budget listening session. I'll have some more info on the next slide about that. Saturday, November 2, Budget Saturday. Wednesday—is that right? I think that is right. It's November 2? It's November. Weird. That's why it caught me off guard. It's like November. All right, so rare November Budget Saturday starts at 8am here. Wednesday, November 6, 6pm public hearing for the budget. And then Wednesday, November 13, 6pm is budget adoption. Those are our key timeline. Key dates.

IMPORTANT DATES

- Wednesday, October 16th @ 3:00-5:00pm – Mayor’s Budget Listening Session
- Saturday, November 2nd @ 8:00am – Budget Saturday
- Wednesday, November 6th @ 6:00pm – Public Hearing
- Wednesday, November 13th @ 6:00pm – Budget Adoption

Mayor Jake Woodford 49:28

Some public feedback opportunities, as I mentioned. I'm holding a budget listening session Wednesday, October 16, 3 to 5. That'll be here in council chambers. We've done virtual in the past; that was kind of a pandemic thing, but want to try this in person, invite people to come down and sit together, talk about the budget. So please feel free to share that with your constituents. Let people know that that's available. No need to call, RSVP, sign up. We'll just we'll be here and talking about the budget. So, I'll talk to myself if need be, but look forward to that. Then the public hearing, of course, Wednesday, November 6, 6pm, and that's also located here.



The graphic is a blue rectangular box with white text and icons. At the top right is the City of Appleton seal. The title 'Public Feedback Opportunities' is centered at the top. Below it, two columns of information are separated by a vertical line. The left column lists the 'Mayor's Budget Listening Session' with a calendar icon, and its location at Appleton City Hall. The right column lists the 'Public Hearing' with a calendar icon, its date and time (Wednesday, Nov 6, 6:00 p.m.), and its location at Appleton City Hall. A small number '13' is in the bottom right corner.

Public Feedback Opportunities



-  **Mayor's Budget Listening Session**
Wednesday, Oct 16th
3:00 to 5:00 p.m.
-  **Location**
Appleton City Hall,
Council Chambers, 6th Floor,
100 N Appleton Street,
Appleton, Wi- 54911

-  **Public Hearing**
Wednesday, Nov 6
6:00 p.m.
-  **Location**
Appleton City Hall,
Council Chambers, 6th Floor,
100 N Appleton Street,
Appleton, Wi- 54911

13

Mayor Jake Woodford 50:13

All right, so thank you. Happy reviewing. In terms of process and questions, could I ask Alder Firkus just to talk a little bit as chair of finance committee about the game plan there?

Aldersperson Brad Firkus (District 3) 50:28

Sure. Thank you, Mayor. So, as you dig into your review process, this is right now the ideal time to start coming up with your questions for staff to get clarification, to get better ideas around what is necessary. The more questions that can be asked ahead of the Budget Saturday workshop, the better off for the flow of that day. Hopefully, by the time we get to that day, any questions and follow up questions for clarifying from staff can be answered going into that that morning, and then the discussion that they can focus primarily on the types of changes that maybe people are considering, things like that, start throwing out ideas for amendments, getting kind of a rough draft there. So, if you do have any questions through this process, of course, staff is very helpful. I'm willing to offer any assistance as well. So please feel free to reach out with any questions.

Mayor Jake Woodford 51:21

All right. Thank you. So, any process questions? Alder Meltzer.

Aldersperson Vered Meltzer (District 2) 51:31

Thank you. So, are we going to be compiling a running document or a collection of all those questions for sharing out? Is that going to be shared out ongoingly as the questions are answered, or are they going to kind of all be compiled first and then the answers shared with us?

Mayor Jake Woodford 51:48

Our game plan was just to follow the same process we've used for the last couple of years. So, there'll be reply alls on answers to questions, and then there also be compilation of the questions that will be provided. So, you'll have a couple of different opportunities, but yeah, we'll make sure that everybody sees the answers to questions that are received. No need to copy everybody on your initial question. We'll take care of that when we send out replies.

Aldersperson Vered Meltzer (District 2) 52:15

Thank you.

Mayor Jake Woodford 52:17

Any other process stuff? Okay, you were just, you were just moving that mic. You're getting ready. Okay. All right. Well, let's wrap up and move along. Then thank you all for listening. I appreciate the time and opportunity to recognize folks in the organization, so thank you for that.