



CITY OF APPLETON

Date: May 6, 2026

To: Members of the Finance Committee & Common Council

From: Mayor Jacob A. Woodford

Finance Director Jennifer Messerschmidt

Public Works Director Laura Jungwirth

Subject: Central Equipment Agency Funding Analysis

The City of Appleton, along with municipalities throughout Wisconsin, continues to face challenges in appropriately funding operations due to the State's restrictive statutory levy limits. As the City begins preparations for the 2027 budget cycle, it has become increasingly important to explore opportunities that alleviate pressure on general levy while maintaining the level of service expected by the community.

One alternative explored collaboratively by the Finance and Public Works Departments, with assistance from Baird, is an evaluation of the City's current financial model for the Central Equipment Agency (CEA). Under the existing model, departments are charged annually throughout the lifecycle of equipment purchases. These departmental charges accumulate within the CEA and are subsequently utilized to fund future replacement equipment acquisitions.

As part of this evaluation, the city considered the strategic use of short-term general obligation debt to finance qualifying equipment acquisitions. Under this approach, debt issued in 2026 for 2027 equipment purchases would create additional levy capacity while resulting in no net increase to departmental operating budgets. Operational funding that would otherwise be allocated toward CEA replacement charges could then be redirected to support other departmental operational needs.

Considerable attention was given to balancing the creation of additional levy capacity with prudent debt management practices. Equipment acquisitions would continue to be strategically planned and amortized in alignment with departmental equipment needs, replacement schedules, and historical purchasing patterns. The proposed structure would maintain the city's existing CEA framework and strong fleet management practices while utilizing short-term debt issuance to avoid materially increasing the City's overall debt burden or negatively impacting bond rating metrics.

In most cases, amortization periods could generally be limited to one year. However, certain circumstances may warrant longer amortization schedules, particularly for equipment purchases that are infrequent, high-cost, or not part of an annual replacement cycle.

Debt issuance would remain subject to the City's capitalization thresholds. Equipment acquisitions that do not qualify for debt financing would continue to be funded under the City's current CEA allocation methodology through annual departmental charges.

Importantly, this analysis does not eliminate or diminish the role of the CEA or the City's fleet management practices. Equipment replacement planning, lifecycle analysis, and operational oversight would continue to be managed to ensure long-term efficiency and reliability of the City's fleet and equipment assets. However, CEA cost allocations associated with debt-financed acquisitions would be reduced or eliminated accordingly.

The transition to this financing model would also include a planned multi-year drawdown of existing CEA fund balance reserves. This phased approach would support implementation of the revised funding structure while maintaining an appropriate reserve balance to address emergency equipment needs and unforeseen replacement costs.

Recommendation

Based upon the analysis completed, it is respectfully recommended that Common Council authorize staff to proceed with development of a final implementation plan for modification of the Central Equipment Agency (CEA) funding structure. The final plan would include evaluation of appropriate short-term general obligation debt issuance for qualifying equipment acquisitions, transition planning for CEA fund balance utilization, impacts to future operating budgets and levy capacity, and any necessary policy or procedural modifications associated with implementation. Further details and refinement of the proposed structure would occur concurrently and be presented within the 2027 budget development process.