



Memorandum

DATE: November 12, 2009

TO: Menasha Common Council

FROM: Mark Radtke, Director of Public Works
Tim Jacobson, Public Works Superintendent

RE: Public Works Equipment Fund

Attached please find a summary of the City of Menasha's Public Works Fleet Program explaining its origin, operation, benefits and past successes. Please contact either of us if you have any questions regarding this program. We are not in favor of transferring moneys from this fund to the Tax Stabilization Fund at this time. Should the City find itself in a truly dire financial situation in the future we would absolutely not stand in the way of the City's greater needs, as determined by the Council or Mayor.

Menasha's Public Works Fleet Program

A foundation for providing quality services to our residents

How the program works:

The *public works internal service fund* is structured to place costs associated with a particular department within that department's budget. When a police car is serviced, a road is plowed, or a park mowed the equipment and personnel used to provide those services are charged back to the respective department. Each piece of equipment is tracked based on its costs of operation. Funds resulting from the depreciation of all equipment are used to replace equipment at the end of its useful life. The Public Works Facility has a CIP showing the expected life and replacement schedule of its equipment that is used to set the rates it charges for its services.

Events leading to the formation of the program and the changeover:

For many years the replacement of essential Public Works equipment was handled in a political fashion rather than evaluating ROI or expected life cycles. In 1991 the city experienced an engine failure in one of its graders and had to fund this large unbudgeted expense immediately. Not only was the replacement a drain on finances, there was also a \$20,000 increase in price the city incurred due to the timeframe to secure the funding. In 1992 the *public works internal service fund* was established with a small amount of seed money. In 1993 the fund assumed control of the park fleet as well, this time with no seed money directly from the levy.

More recently the fund has allowed the replacement of both an engine and transmission in 2007 & 2008 without impact to the levy. It also funded the study of replacement of our Public Works Facility which would have normally been funded by the capitol facilities fund. This year we were able to revise our equipment replacement schedule to facilitate the purchase of a truck before emissions standards changes saving the city at least \$12,000. We also will be funding the change over to automated recycling pickup in 2010 thanks to the reserves in this fund.

Benefits to the community:

- Provides more accurate accounting by department of the actual cost of providing a particular service
- Allows the replacement of high cost equipment without spikes in the tax rate or bonding
- Allows emergency replacement of equipment without seeking additional tax funds outside of the budget
- Provides for a timely reasoned ROI approach to equipment retention and replacement rather than a political approach

