

Internal Service Funds Overview

Introduction

Internal service funds are used by governments to account for goods and services provided by one City department for another. Revenues are provided for these support functions from fees which are charged on a cost basis to the departments receiving the services or goods. The budget includes six internal service funds:

Risk Management

This fund provides for the administration and maintenance of City risk management functions including the maintenance of reserve funds to provide the City with adequate protection to manage fluctuations in insurance premiums and claims.

Employment Security

This fund is used for the purpose of accumulating funds based on a percentage of wages to pay for the unemployment of qualified terminated City employees through the Employment Security Department.

Accumulated Leave Liability

This fund is used for the purpose of accumulating funds based on a percentage of wages to payout accrued vacation when an employee leaves City employment.

Equipment Rental Reserve—Operations and Maintenance

This fund was established in 2009 to track expenditures and interfund payments related to maintenance and service of the City's fleet of vehicles and large equipment.

Equipment Rental Reserve—Equipment Reserve

This fund is used for the purpose of accumulating funds to replace vehicles and equipment at the end of their useful lives. Revenues are generated through user fees paid by departments utilizing fleet services.

Information Technology

This fund provides for support functions to the City's network and technology systems and the maintenance and replacement of hardware and software components.

Internal Service Funds Overview

Internal Service Funds				
	Actual 2016	Actual 2017	Budget 2018	Budget 2019
FTE positions	8.26	9.00	11.20	11.20
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	2,534,702	2,850,045	3,137,989	3,544,236
Fines & forfeits	0	0	0	0
Other revenue	2,775,667	3,505,055	3,604,130	3,864,886
Debt Proceeds	0	0	0	0
Total revenue	5,310,369	6,355,100	6,742,119	7,409,122
Expenditures				
Personnel	1,305,820	2,362,360	2,142,950	2,131,000
Supplies, services & taxes	3,000,706	3,407,040	3,326,929	3,726,625
Capital expenditures	1,045,407	1,347,900	2,054,256	1,249,216
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	5,351,933	7,117,300	7,524,135	7,106,841
Fund totals - Expenditures only				
Risk Management	1,591,159	2,304,473	1,922,797	1,838,491
Employment Security	13,009	44,396	60,000	40,000
Accumulated Leave Liability	422,795	490,782	300,000	400,000
ER&R Maintenance	1,220,629	1,779,751	1,703,520	1,880,547
ER&R Reserves	985,330	1,383,074	2,054,925	1,251,977
Information Technology	1,119,011	1,114,824	1,482,893	1,695,826
Total Internal Service Funds	5,351,933	7,117,300	7,524,135	7,106,841
Revenue over(under) expenditure	-41,564	-762,200	-782,016	302,281
Beginning fund balance	7,808,521	7,766,957	7,679,077	6,883,038
Ending fund balance	\$7,766,957	\$7,004,757	\$6,897,061	\$7,185,319

Risk Management

Internal Service Fund

Summary:

The Risk Management Fund was established to consolidate the financial recording and administrative tracking of all property and casualty insurance activities in one cost center with joint costs to be shared by all funds as appropriate. Funds are provided for self-

insured claims investigation and payment, litigation costs, insurance specification preparation, excess insurance premiums, risk identification and loss control, safety education, and workers compensation.

Risk Management				
	Actual 2016	Actual 2017	Budget 2018	Budget 2019
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines & forfeits	0	0	0	0
Other revenue	1,538,180	2,043,544	1,648,197	1,847,336
Debt Proceeds	0	0	0	0
Total revenue	1,538,180	2,043,544	1,648,197	1,847,336
Expenditures				
Personnel	223,035	853,641	490,000	290,000
Supplies, services & taxes	1,368,124	1,450,832	1,432,797	1,548,491
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,591,159	2,304,473	1,922,797	1,838,491
Revenue over(under) expenditure	-52,979	-260,929	-274,600	8,845
Beginning fund balance	2,047,322	1,994,343	2,624,440	2,330,053
Ending fund balance	\$1,994,343	\$1,733,414	\$2,349,840	\$2,338,898

2019 Budget Highlights:

- Identify and project liability loss exposures and hazardous working conditions and recommend effective prevention, mitigation and financing techniques.
- Negotiate, procure and administer the City's property, liability, workers' compensation and surety insurance and self-insurance programs.
- Investigate, evaluate, and resolve self-insured liability claims presented against the City.
- Assure compliance with State's industrial insurance laws by providing mandatory workers' compensation benefits in a cost effective way.
- Present, negotiate and resolve City claims and secure recovery from others for damage to City property.

2019 Capital Considerations:

- The Risk Management Fund has does not have capital funds budgeted for 2019.

2018 Accomplishments:

- Met established goal of maintaining a reserve balance at least equal to the projected fund liability.
- Obtained favorable insurance renewal rates.
- Through September 2018, resolved 27 liability claims.
- Through September 2018, recovered \$38,423 from third parties related to City property damage.
- Provided oversight to the City's Safety and Health Committee.

2019 Goals:

- Continue to maintain a reserve balance at least equal to the projected fund liability.
- Obtain favorable renewal rates for the City's property, liability, workers' compensation and surety insurance.
- Continue to maintain lower workers' compensation assessments than those that would be charged by the State Fund.
- Continue to provide risk management training to City employees.

Employment Security

Internal Service Fund

Summary:

The Employment Security Fund was created in 2011 by Ordinance 5153. The City is a reimbursable employer with the Washington State Employment Security Department (ESD). Unemployment benefits paid to a terminated City employee is reimbursed by the City to ESD. Previously, the expense was

charged to the department the employee last worked. By creating a separate fund each department contributes based on wages paid. This in effect spreads the expenditure over time between all departments an employee worked during his/her tenure. It also allows for accuracy in budgeting expenditures.

Employment Security				
	Actual 2016	Actual 2017	Budget 2018	Budget 2019
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines & forfeits	0	0	0	0
Other revenue	41,347	16,859	18,000	4,000
Debt Proceeds	0	0	0	0
Total revenue	41,347	16,859	18,000	4,000
Expenditures				
Personnel	13,009	44,396	60,000	40,000
Supplies, services & taxes	0	0	0	0
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	13,009	44,396	60,000	40,000
Revenue over(under) expenditure	28,338	-27,537	-42,000	-36,000
Beginning fund balance	554,334	582,672	555,135	356,135
Ending fund balance	\$582,672	\$555,135	\$513,135	\$320,135

Accumulated Leave Liability

Internal Service Fund

Summary:

The Accumulated Leave Liability Fund was created in 2011 by Ordinance 5153. Previously, vacation accrued paid out at termination was expended in the department the employee last worked. By creating a separate fund each department contributes based on wages paid and it spreads the expenditure over time between all departments an employee worked during his/her tenure. This also allows for accuracy in budgeting expenditures.

Accumulated Leave Liability				
	Actual 2016	Actual 2017	Budget 2018	Budget 2019
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines & forfeits	0	0	0	0
Other revenue	180,511	229,632	378,000	543,000
Debt Proceeds	0	0	0	0
Total revenue	180,511	229,632	378,000	543,000
Expenditures				
Personnel	422,795	490,782	300,000	400,000
Supplies, services & taxes	0	0	0	0
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	422,795	490,782	300,000	400,000
Revenue over(under) expenditure	-242,284	-261,150	78,000	143,000
Beginning fund balance	505,501	263,217	2,067	175,567
Ending fund balance	\$263,217	\$2,067	\$80,067	\$318,567

Equipment Rental & Reserve—Maintenance

Internal Service Fund

Summary:

The Equipment Rental & Reserve Fund is an internal service fund which finances the fueling and repair of City vehicles and equipment. Revenues are generated through user fees paid by departments utilizing fleet services. This fund manages the operation and maintenance of City vehicles and equipment including fire trucks, police cars, backhoes, road graders and other equipment.

ER&R Maintenance				
	Actual 2016	Actual 2017	Budget 2018	Budget 2019
FTE positions	3.26	4.00	4.20	4.20
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	1,363,080	1,643,433	1,656,765	1,868,227
Fines & forfeits	0	0	0	0
Other revenue	31,426	2,590	3,000	3,000
Debt Proceeds	0	0	0	0
Total revenue	1,394,506	1,646,023	1,659,765	1,871,227
Expenditures				
Personnel	265,973	429,381	493,700	528,500
Supplies, services & taxes	954,656	1,350,370	1,209,820	1,352,047
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,220,629	1,779,751	1,703,520	1,880,547
Revenue over(under) expenditure	173,877	-133,728	-43,755	-9,320
Beginning fund balance	269,976	443,853	187,221	161,087
Ending fund balance	\$443,853	\$310,125	\$143,466	\$151,767

2019 Budget Highlights:

- Brought back safety equipment installation to in-house.

2019 Capital Considerations:

- There are no planned capital projects scheduled for 2019.

2018 Accomplishments:

- Maintained the city's vehicle fleet in adequate condition to reduce downtime and safety issues.
- Worked with Finance in reviewing fleet inventory.

2019 Goals:

- No lost-time accidents.
- Provide responsive mechanic services to the City's internal customers.
- Replace fleet software.
- Continue ongoing efforts to right size the fleet.
- Reduce expenditures on vehicle parts by increasing comparative parts pricing.

Equipment Rental & Reserve—Reserves

Internal Service Fund

Summary:

This division manages the replacement of City vehicles and equipment including fire support vehicles and ambulances, police cars, backhoes, road graders and other equipment.

ERR is responsible for asset replacement planning and financing. Replacement funds are accumulated through rental fees paid by the user.

ER&R - Reserves				
	Actual 2016	Actual 2017	Budget 2018	Budget 2019
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines & forfeits	0	0	0	0
Other revenue	981,533	1,210,366	1,555,433	1,464,550
Debt Proceeds	0	0	0	0
Total revenue	981,533	1,210,366	1,555,433	1,464,550
Expenditures				
Personnel	0	0	0	0
Supplies, services & taxes	649	35,174	669	2,761
Capital expenditures	984,681	1,347,900	2,054,256	1,249,216
Debt service	0	0	0	0
Transfers & Other	0	0	0	0
Total expenditures	985,330	1,383,074	2,054,925	1,251,977
Revenue over(under) expenditure	-3,797	-172,708	-499,492	212,573
Beginning fund balance	4,089,615	4,085,818	4,021,334	3,568,985
Ending fund balance	\$4,085,818	\$3,913,110	\$3,521,842	\$3,781,558

2019 Budget Highlights:

- Surplus outdated vehicles and equipment.
- Look for “Green” opportunities when purchasing for the fleet.
- Continue to look for cost savings on vehicle and equipment purchases.

2019 Capital Considerations:

- Total projected capital costs for vehicle and equipment replacements in 2019 is \$1,249,216. Included in this amount is \$45,000 for new equipment that the Information Technology Fund will contribute.

2018 Accomplishments:

- Monitored vehicle use; made recommendations for reductions.
- Completed Vehicle and Equipment Inventory.
- Surplus outdated vehicles and equipment.
- Completed Employee Vehicle Policy Manual.

2019 Goals:

- Continue ongoing efforts to right size the fleet.
- Continue the fleet implementation of the fleet management system.

Information Technology

Internal Service Fund

Summary:

Information Technology provides city departments with customized automated systems, computer hardware/software support, local/wide area network infrastructure support, design assistance, acquisition, installation, training and maintenance of hardware and software systems.

Information Technology				
	Actual 2016	Actual 2017	Budget 2018	Budget 2019
FTE positions	5.00	5.00	7.00	7.00
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	1,171,622	1,206,612	1,481,224	1,676,009
Fines & forfeits	0	0	0	0
Other revenue	2,670	2,064	1,500	3,000
Debt Proceeds	0	0	0	0
Total revenue	1,174,292	1,208,676	1,482,724	1,679,009
Expenditures				
Personnel	381,008	544,160	799,250	872,500
Supplies, services & taxes	677,277	570,664	683,643	823,326
Capital expenditures	60,726	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,119,011	1,114,824	1,482,893	1,695,826
Revenue over(under) expenditure	55,281	93,852	-169	-16,817
Beginning fund balance	341,773	397,054	288,880	291,211
Ending fund balance	\$397,054	\$490,906	\$288,711	\$274,394

2019 Budget Highlights:

- Continuing to fund the PC Replacement program.
- Continuing to fund the full implementation of Office 365.
- Upgrade the City's enterprise message archiving platform to deliver enhanced capabilities to the end user.
- Expenditure increases of note:
 - Increase in Salary and Benefits due to increasing .5 FTE from 2018.
 - Increase in Salary and Benefits due to promotions resulting from compensation study.
 - Increase professional services due to new Kitsap County network charge and increased technology consumption by new staff members City wide.

2019 Capital Considerations:

- There are no capital projects scheduled for 2019.

2018 Accomplishments:

- Maintain current service levels in an expanding environment without increasing staffing or replacing equipment where possible.
- Continue to leverage cloud services to make data and records more accessible to the public.
- Finished the email migration to Office365.
- Continue to roll out Windows 10 Enterprise to City desktops.
- Developed technology standards for City conference/meeting rooms to facilitate remote collaboration.

2019 Goals:

- Upgrade to City's main VMWare server core to consolidate migrating duplicated remote hardware to a more resilient platform.
- Continue to roll out the new Security and Access control system to include the Police Department.
- Continue to outfit City conference/meeting rooms with new A/V equipment.
- Create a central computer repository for Disaster Recovery.
- Introduce an operational Standby program for the helpdesk providing business IT after hours support.
- Continue developing spatial application capabilities leveraging the ESRI GIS platform.