

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 seven 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.

Self Insured Wellness Reserve

The City of Bremerton's Self Insured Health and Welfare Program was established in 2015. By self-insuring health and welfare benefits for City employees and LEOFF 1 retirees, the City has greater control over administrative costs, benefit programs and the ability to evaluate health benefit costs.

Employment Security

This fund is used for the purpose of accumulating funds based on 0.05% 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 0.85% 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 2014	Actual 2015	Budget 2016	Budget 2017
FTE positions	9.00	8.00	8.26	9.00
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	2,691,932	7,183,794	7,346,877	2,706,109
Fines & forfeits	0	0	0	0
Other revenue	1,611,444	2,973,655	2,766,274	2,740,849
Debt Proceeds	0	0	0	0
Total revenue	4,303,376	10,157,449	10,113,151	5,446,958
Expenditures				
Personnel	1,281,922	1,258,017	1,441,500	1,551,455
Supplies, services & taxes	2,622,235	7,416,602	7,482,122	3,339,045
Capital expenditures	836,378	1,284,026	1,302,000	1,411,000
Debt service	0	0	0	0
Transfers	115,000	8,000	0	0
Total expenditures	4,855,535	9,966,645	10,225,622	6,301,500
Fund totals - Expenditures only				
Risk Management	1,097,910	1,789,042	1,540,040	1,529,465
Self Insured Wellness Reserve	0	4,216,411	4,399,500	328,289
Employment Security	26,651	13,375	25,000	10,000
Accumulated Leave Liability	133,414	226,091	175,000	245,000
ER&R Maintenance	1,567,915	1,434,447	1,474,757	1,645,387
ER&R Reserves	962,567	1,294,661	1,277,000	1,316,000
Information Technology	1,067,078	992,618	1,334,325	1,227,359
Total Internal Service Funds	4,855,535	9,966,645	10,225,622	6,301,500
Revenue over(under) expenditure	-552,159	190,804	-112,471	-854,542
Beginning fund balance	8,491,057	7,938,898	7,948,761	7,962,783
Ending fund balance	\$7,938,898	\$8,129,702	\$7,836,290	\$7,108,241

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 2014	Actual 2015	Budget 2016	Budget 2017
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	963,416	1,525,705	1,540,040	1,519,465
Debt Proceeds	0	0	0	0
Total revenue	963,416	1,525,705	1,540,040	1,519,465
Expenditures				
Personnel	133,406	87,310	240,000	240,000
Supplies, services & taxes	964,504	1,701,732	1,300,040	1,289,465
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,097,910	1,789,042	1,540,040	1,529,465
Revenue over(under) expenditure	-134,494	-263,337	0	-10,000
Beginning fund balance	2,445,153	2,310,659	2,047,322	2,325,538
Ending fund balance	\$2,310,659	\$2,047,322	\$2,047,322	\$2,315,538

2017 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.

2017 Capital Considerations:

- The Risk Management Fund has does not have capital funds budgeted for 2017.

2016 Accomplishments:

- Met established goal of maintaining a reserve balance at least equal to the projected fund liability.
- Obtained favorable insurance renewal rates.
- Through September 2016, resolved 17 liability claims.
- Through September 2016, recovered \$24,300 from third parties related to City property damage.
- Provided oversight to the City's Safety and Health Committee.
- Coordinated and facilitated City-wide and multi-agency safety training.

2017 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.

Self Insured Wellness Reserve

Internal Service Fund

Summary:

The Self Insured Wellness Reserve Fund is established to fund the City of Bremerton's Self Insured Health and Welfare Program.

Self-insuring health and welfare benefits for City employees and LEOFF 1 retirees offers

several advantages including lower administrative costs, greater control over benefits programs, easier access to claims data and improving the employer's ability to evaluate health benefit costs.

Self Insured Wellness Reserve

	Actual 2014	Actual 2015	Budget 2016	Budget 2017
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	0	4,529,591	4,764,900	0
Fines & forfeits	0	0	0	0
Other revenue	0	8,000	0	0
Debt Proceeds	0	0	0	0
Total revenue	0	4,537,591	4,764,900	0
Expenditures				
Personnel	0	-645	0	0
Supplies, services & taxes	0	4,217,056	4,399,500	328,289
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	0	4,216,411	4,399,500	328,289
Revenue over(under) expenditure	0	321,180	365,400	-328,289
Beginning fund balance	0	0	140,239	328,289
Ending fund balance	\$0	\$321,180	\$505,639	\$0

2017 Budget Highlights:

- Proceed with final medical claims payments from 2016.

2017 Capital Considerations:

- The self-insured medical plan does not have capital funds budgeted in 2017.

2016 Accomplishments:

- Maintained fund balance to support claims payments.

2017 Goals:

- Pay all outstanding claims with existing reserves.

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 2014	Actual 2015	Budget 2016	Budget 2017
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	123,886	81,888	35,000	12,000
Debt Proceeds	0	0	0	0
Total revenue	123,886	81,888	35,000	12,000
Expenditures				
Personnel	26,651	5,375	25,000	10,000
Supplies, services & taxes	0	0	0	0
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	8,000	0	0
Total expenditures	26,651	13,375	25,000	10,000
Revenue over(under) expenditure	97,235	68,513	10,000	2,000
Beginning fund balance	388,586	485,821	554,334	582,834
Ending fund balance	\$485,821	\$554,334	\$564,334	\$584,834

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 2014	Actual 2015	Budget 2016	Budget 2017
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	367,529	433,315	165,000	212,000
Debt Proceeds	0	0	0	0
Total revenue	367,529	433,315	165,000	212,000
Expenditures				
Personnel	133,414	226,091	175,000	245,000
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	133,414	226,091	175,000	245,000
Revenue over(under) expenditure	234,115	207,224	-10,000	-33,000
Beginning fund balance	64,163	298,278	505,502	386,302
Ending fund balance	\$298,278	\$505,502	\$495,502	\$353,302

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 2014	Actual 2015	Budget 2016	Budget 2017
FTE positions	4.00	3.00	3.26	4.00
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	1,599,769	1,555,219	1,410,355	1,499,494
Fines & forfeits	0	0	0	0
Other revenue	2,458	4,062	1,850	2,500
Debt Proceeds	0	0	0	0
Total revenue	1,602,227	1,559,281	1,412,205	1,501,994
Expenditures				
Personnel	467,710	399,437	432,200	466,455
Supplies, services & taxes	1,100,205	1,035,010	1,042,557	1,083,932
Capital expenditures	0	0	0	95,000
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,567,915	1,434,447	1,474,757	1,645,387
Revenue over(under) expenditure	34,312	124,834	-62,552	-143,393
Beginning fund balance	110,830	145,142	269,976	352,800
Ending fund balance	\$145,142	\$269,976	\$207,424	\$209,407

2017 Budget Highlights:

- The budget eliminates part-time seasonal extra help and includes the addition of one Automotive Technician Assistant, \$64,900.
- Upgrade fleet software to replace non supported Cartegraph system, \$60,000.

2017 Capital Considerations:

- Purchase large vehicle lifts and electronic scanner, \$95,000.

2016 Accomplishments:

- No lost-time accidents
- Maintained the City’s vehicle fleet in adequate condition to reduce downtime and safety issues.

2017 Goals:

- No lost-time accidents
- Conduct and analyze Customer Service Survey to determine opportunities.
- Provide responsive mechanic services to the City’s internal customers.
- Replace fleet software.
- Reduce expenditures on vehicle parts by increasing comparative parts pricing.
- Produce a “Policies and Procedures” manual for the ERR Operations.
- Review fuel software and program for upgrade or replacement.

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 2014	Actual 2015	Budget 2016	Budget 2017
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	0	16,444	0	0
Fines & forfeits	0	0	0	0
Other revenue	152,436	918,844	1,024,384	993,384
Debt Proceeds	0	0	0	0
Total revenue	152,436	935,288	1,024,384	993,384
Expenditures				
Personnel	0	0	0	0
Supplies, services & taxes	11,189	10,635	0	0
Capital expenditures	836,378	1,284,026	1,277,000	1,316,000
Debt service	0	0	0	0
Transfers & Other	115,000	0	0	0
Total expenditures	962,567	1,294,661	1,277,000	1,316,000
Revenue over(under) expenditure	-810,131	-359,373	-252,616	-322,616
Beginning fund balance	5,259,119	4,448,988	4,089,615	3,809,558
Ending fund balance	\$4,448,988	\$4,089,615	\$3,836,999	\$3,486,942

2017 Budget Highlights:

Vehicles and major equipment are budgeted for the following funds and departments within the City:

General Fund

- Five Police interceptors, \$310,000
- Two Parks pick-up trucks, \$97,000
- One Parks Ground Master mower, \$50,000
- One Engineering pick-up truck, \$32,000

Street Fund

- One pick-up truck, \$80,000
- One boom truck/man lift, \$250,000
- One pot hole patching truck, \$185,000

Water Fund

- Three pick-up trucks, \$112,000
- One dozer, \$200,000

2017 Capital Considerations:

- Total projected capital costs for vehicle and equipment replacements in 2017 is 1,316,000.

2016 Accomplishments:

- No lost-time accidents.
- Monitored vehicle use; made recommendations for reductions.
- Worked closely with Finance to update financial policies on vehicle replacement reserves.

2017 Goals:

- No lost-time accidents.
- Update the current accounting for vehicle replacement.
- Continue ongoing efforts to right size the fleet.
- Produce a “Policies and Procedures” manual for the Equipment Rental and Revolving Reserve Fund.
- Work with City departments to “right size” the City’s vehicle fleet and achieve efficiencies if emergency response capability is not degraded.
- Surplus outdated vehicles and equipment.

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 2014	Actual 2015	Budget 2016	Budget 2017
FTE positions	5.00	5.00	5.00	5.00
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	1,092,163	1,082,540	1,171,622	1,206,615
Fines & forfeits	0	0	0	0
Other revenue	1,719	1,841	0	1,500
Debt Proceeds	0	0	0	0
Total revenue	1,093,882	1,084,381	1,171,622	1,208,115
Expenditures				
Personnel	520,741	540,449	569,300	590,000
Supplies, services & taxes	546,337	452,169	740,025	637,359
Capital expenditures	0	0	25,000	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,067,078	992,618	1,334,325	1,227,359
Revenue over(under) expenditure	26,804	91,763	-162,703	-19,244
Beginning fund balance	223,206	250,010	341,773	177,462
Ending fund balance	\$250,010	\$341,773	\$179,070	\$158,218

2017 Budget Highlights:

- Continuing to fund the PC Replacement program.
- Continuing to fund the full implementation of Office 365.
- Replace 3 main VMware Hypervisor servers.
- Incorporated NDGC General Facilities Charges into budget.

2017 Capital Considerations:

- There are no planned capital projects scheduled for 2017.

2016 Accomplishments:

- Assisted the Waste Water Treatment Plant with the design and implementation of their SCADA upgrade project.
- Upgraded the City's main Firewall/Routing appliance.
- Upgraded the City's Central processing core Storage array with a state of the art, Storage Area Network and array.

2017 Goals:

- 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.
- Create a central computer repository for Disaster Recovery.
- Finish the conversion of Desktop productivity workloads to Office365.