

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 2017	Actual 2018	Budget 2019	Budget 2020
FTE positions	2.00	2.00	2.00	2.00
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	2,850,045	3,260,106	3,544,236	3,556,545
Fines & forfeits	0	0	0	0
Other revenue	3,505,055	5,010,723	4,114,886	4,793,605
Debt Proceeds	0	0	0	0
Total revenue	6,355,100	8,270,829	7,659,122	8,350,150
Expenditures				
Personnel	2,362,360	2,125,612	2,227,200	2,428,800
Supplies, services & taxes	3,407,040	2,767,635	3,726,625	3,582,337
Capital expenditures	1,347,900	1,763,168	1,910,708	1,902,780
Debt service	0	0	0	0
Transfers	0	250,000	0	0
Total expenditures	7,117,300	6,906,415	7,864,533	7,913,917
Fund totals - Expenditures only				
Risk Management	2,304,473	1,265,538	1,888,491	1,934,362
Employment Security	44,396	259,753	40,000	75,000
Accumulated Leave Liability	490,782	503,344	400,000	450,000
ER&R Maintenance	1,779,751	1,754,273	1,895,947	1,812,920
ER&R Reserves	1,383,074	1,767,135	1,913,469	1,887,780
Information Technology	1,114,824	1,356,372	1,726,626	1,753,855
Total Internal Service Funds	7,117,300	6,906,415	7,864,533	7,913,917
Revenue over(under) expenditure	-762,200	1,364,414	-205,411	436,233
Beginning fund balance	7,766,956	7,004,756	8,120,594	7,956,711
Ending fund balance	\$7,004,756	\$8,369,170	\$7,915,183	\$8,392,944

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 2017	Actual 2018	Budget 2019	Budget 2020
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	2,043,544	2,147,755	1,847,336	1,844,362
Debt Proceeds	0	0	0	0
Total revenue	2,043,544	2,147,755	1,847,336	1,844,362
Expenditures				
Personnel	853,641	425,168	340,000	390,000
Supplies, services & taxes	1,450,832	840,370	1,548,491	1,544,362
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	2,304,473	1,265,538	1,888,491	1,934,362
Revenue over(under) expenditure	-260,929	882,217	-41,155	-90,000
Beginning fund balance	1,994,343	1,733,414	2,731,265	2,572,551
Ending fund balance	\$1,733,414	\$2,615,631	\$2,690,110	\$2,482,551

2020 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, pollution, aviation, marine, cyber, workers’ compensation and surety insurance and self-insurance programs.
- Investigate, evaluate and resolve self-insured liability claims filed 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.

2020 Capital Considerations:

- The Risk Management Fund has does not have capital funds budgeted for 2020.

2019 Accomplishments:

- Met established goal of maintaining a reserve balance at least equal to the projected fund liability.
- Obtained favorable insurance renewal rates.
- Through September 2019, resolved 33 liability claims.
- Through September 2019, recovered \$43,631.36 from third parties related to City property damage.
- Provided oversight to the City’s Safety and Health Committee.
- Provided workers’ compensation training to police.
- Provided training related to OSHA investigations to Public Works & Utilities.

2020 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, pollution, aviation, marine, cyber, workers’ compensation and surety insurance.
- Continue to maintain lower workers’ compensation assessments with the City’s self- insured program.
- Improve collection process on claims for damages.
- Continue to provide risk management training and advice 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 2017	Actual 2018	Budget 2019	Budget 2020
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	16,859	22,129	4,000	4,000
Debt Proceeds	0	0	0	0
Total revenue	16,859	22,129	4,000	4,000
Expenditures				
Personnel	44,396	9,753	40,000	75,000
Supplies, services & taxes	0	0	0	0
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	250,000	0	0
Total expenditures	44,396	259,753	40,000	75,000
Revenue over(under) expenditure	-27,537	-237,624	-36,000	-71,000
Beginning fund balance	582,671	555,134	317,510	237,010
Ending fund balance	\$555,134	\$317,510	\$281,510	\$166,010

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 2017	Actual 2018	Budget 2019	Budget 2020
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	229,632	664,324	543,000	582,500
Debt Proceeds	0	0	0	0
Total revenue	229,632	664,324	543,000	582,500
Expenditures				
Personnel	490,782	503,344	400,000	450,000
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	490,782	503,344	400,000	450,000
Revenue over(under) expenditure	-261,150	160,980	143,000	132,500
Beginning fund balance	263,217	2,067	163,047	190,547
Ending fund balance	\$2,067	\$163,047	\$306,047	\$323,047

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 2017	Actual 2018	Budget 2019	Budget 2020
FTE positions	1.00	1.00	1.00	1.00
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	1,643,433	1,778,886	1,868,227	1,800,119
Fines & forfeits	0	0	0	0
Other revenue	2,590	2,981	3,000	2,800
Debt Proceeds	0	0	0	0
Total revenue	1,646,023	1,781,867	1,871,227	1,802,919
Expenditures				
Personnel	429,381	470,578	543,900	567,100
Supplies, services & taxes	1,350,370	1,283,695	1,352,047	1,230,820
Capital expenditures	0	0	0	15,000
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,779,751	1,754,273	1,895,947	1,812,920
Revenue over(under) expenditure	-133,728	27,594	-24,720	-10,001
Beginning fund balance	443,853	310,125	78,894	81,594
Ending fund balance	\$310,125	\$337,719	\$54,174	\$71,593

2020 Budget Highlights:

- Training for Technician EVT certifications—WA State Fire Mechanics Academy, Rosenbauer factory training.

2020 Capital Considerations:

- Purchase new A/C refrigerant recycle machine—due to R1234YF refrigerant in new vehicles that are coming out of warranty.

2019 Accomplishments:

- Implemented new fleet software—Assetworks, currently have 477 completed work orders (June 24-September).
- Performed 9 in-house patrol vehicle upfits to include on K-9 vehicle, average savings of \$2,500 per car.
- Performed 1 Fire Department Training Officer vehicle upfit.
- Performed 412 A and C services as of September 24, 2019.
- Upgraded Cummins Engine diagnostic software to dealer level capabilities.
- Transitioned all manual work orders to electronic processing by replacing and upgrading technician work station laptops.
- Performed upfit of Parks Department plant watering truck and met April deadline.
- Purchased new snow plow for Facilities truck enabling them to clear parking lots. Delivery anticipated end of October 2019.
- Purchase of replacement police patrol vehicle, which was totaled. Delivery anticipated end of October 2019.

2020 Goals:

- Continue implementation of new software and work on more accurate inventory controls.
- Work towards increasing our proactive maintenance program in order to provide safe and reliance equipment for our customer departments.

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 2017	Actual 2018	Budget 2019	Budget 2020
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	1,210,366	2,166,383	1,464,550	2,154,943
Debt Proceeds	0	0	0	0
Total revenue	1,210,366	2,166,383	1,464,550	2,154,943
Expenditures				
Personnel	0	0	0	0
Supplies, services & taxes	35,174	3,967	2,761	0
Capital expenditures	1,347,900	1,763,168	1,910,708	1,887,780
Debt service	0	0	0	0
Transfers & Other	0	0	0	0
Total expenditures	1,383,074	1,767,135	1,913,469	1,887,780
Revenue over(under) expenditure	-172,708	399,248	-448,919	267,163
Beginning fund balance	4,085,818	3,913,110	4,423,572	4,134,238
Ending fund balance	\$3,913,110	\$4,312,358	\$3,974,653	\$4,401,401

2020 Budget Highlights:

- Dispose of obsolete equipment and vehicles.
- Implement replacement reserve calculations utilizing Assetworks.
- Pursue “Green” opportunities for fleet replacements.
- Assess effectiveness of snow removal equipment

2020 Capital Considerations:

- Replacement of 2 Street Department Ford F550, like kind with new stainless steel sanders.
- Replace Sewer Maintenance dump truck with new 12 yd dump truck and snow removal capabilities
- Replace Street Department anti-icer truck with 4WD truck, larger capacity tank and plow.
- Purchase 1 F550 with plow and sander for wastewater treatment plant.
- Purchase new lift truck for Streets/Electronics
- Purchase 1 Ford F350 for Forestry

2019 Accomplishments:

- Purchased 9 Police Patrol Vehicles, increased size of Patrol fleet for take home vehicle program.
- Purchased 1 12 yd dump truck for Water Maintenance.
- Purchased new water truck for Parks Department.
- Purchased new flatbed truck for Parks to tow large mower trailer.
- Purchased new service truck for Water Resources
- Purchased new Fire Department training officer truck.
- Purchased new ambulance chassis and remounted ambulance body
- Submitted for approval and ordered 80% of all new equipment prior to end of February.

2020 Goals:

- Continue to upgrade equipment to newer, cleaner equipment.
- Surplus under-utilized equipment.
- Submit for approval and order all new equipment latest end of February.

**EQUIPMENT RENTAL & RESERVE FUND
VEHICLE PURCHASE LIST**

Vehicle Number	Fund/Dept.	Retiring Vehicle/Equipment	Approximate Mileage	Anticipated Replacement Vehicle	Quoted Cost	Equipment Cost	Total
3021	102 - Streets	2002 Ford F550 4X4 Crew	72,000	Ford F550 Standard Cab	\$ 130,000	\$ 4,000	\$ 134,000
3022	102 - Streets	2002 Ford F550 4X4 Crew	89,000	Ford F550 Standard Cab	130,000	4,000	134,000
3100	102 - Streets	De-Icer	NA	In-house build	10,000	-	10,000
3134	102 - Streets	1999 Ford F450 Svc W/Boom	89,841	Ford F450 Svc with man-lift	160,000	8,000	168,000
0321	451 - Sewer	1986 International 2574	141,496	Dump truck w/ plow and sander	244,000	-	244,000
0081	401 - Water (Forestry)	2004 Chev Colorado 4X4 P/U	87,385	Ford F350 3/4-ton	38,360	3,400	41,760
1545	20 - Police	2006 Ford Expedition	160,871	2020 Ford Police Interceptor Utility-Hybrid with Safety Equip	43,670	24,000	67,670
91563	20 - Police	2009 Ford Crown Victoria	143,580	2020 Ford Police Interceptor Utility-Hybrid with Safety Equip	43,670	24,000	67,670
91564	20 - Police	2009 Ford Crown Victoria	158,264	2020 Ford Police Interceptor Utility-Hybrid with Safety Equip	43,670	24,000	67,670
91566	20 - Police	2009 Ford Crown Victoria	155,171	2020 Ford Police Interceptor Utility-Hybrid with Safety Equip	43,670	24,000	67,670
91567	20 - Police	2009 Ford Crown Victoria	139,994	2020 Ford Police Interceptor Utility-Hybrid with Safety Equip	43,670	24,000	67,670
91569	20 - Police	2009 Ford Crown Victoria	147,695	2020 Ford Police Interceptor Utility-Hybrid with Safety Equip	43,670	24,000	67,670
					\$ 974,380	\$ 163,400	\$ 1,137,780

New Vehicles - Not funded by ERR replacement reserves. Funding comes from department operating budgets.

25 - Fire	New addition for Fire	Type 6 Truck (Fire)	180,000	\$	180,000		
25 - Fire	New addition for Fire	Medic	275,000		275,000		
401 - Water (Forestry)	Additional contribution to upgrade replacement	Ford F350 3/4-ton	50,000		50,000		
451 - Sewer	New addition for Sewer	Perma-Lateral CIPP Systems Ambient Cure 18FT Trailer	150,000		150,000		
451 - Sewer (WWTP)	New addition for WWTP	Ford F550 Dump (includes plow, sander, and beds)	95,000		95,000		
					\$ 750,000	\$ -	\$ 750,000

Total Capital Purchases \$ 1,887,780

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 2017	Actual 2018	Budget 2019	Budget 2020
FTE positions	1.00	1.00	1.00	1.00
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	1,206,612	1,481,220	1,676,009	1,756,426
Fines & forfeits	0	0	0	0
Other revenue	2,064	7,151	253,000	205,000
Debt Proceeds	0	0	0	0
Total revenue	1,208,676	1,488,371	1,929,009	1,961,426
Expenditures				
Personnel	544,160	716,769	903,300	946,700
Supplies, services & taxes	570,664	639,603	823,326	807,155
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,114,824	1,356,372	1,726,626	1,753,855
Revenue over(under) expenditure	93,852	131,999	202,383	207,571
Beginning fund balance	397,054	490,906	406,306	740,771
Ending fund balance	\$490,906	\$622,905	\$608,689	\$948,342

2020 Budget Highlights:

- New E911 database service due to CenturyLink discontinuing their service.
- Ongoing PC Replacement program rotating out outdated PCs.
- Increase in Training fund to ensure employees can stay current on all technology advancements and new programs.

2020 Capital Considerations:

- There are no planned Capital Projects planned for 2020.

2019 Accomplishments:

- Promoted and hired staff to fill unexpected vacancies during the year.
- Purchased and implemented a Social Media archiving solution to meet public record requirements.
- Purchased and deployed an Anti-Virus/Anti-Ransomware solution that increased the overall protection of the city's data.
- Successfully integrated Bremerton Tax and License with FileLocal to provide central online General Business License and tax services.
- Completed upgrade of city's VMWare server core and storage capacity to meet new storage and computing requirements.
- Instituted Social Media archiving to meet state public record requirements.
- Instituted IT Standby program to provide after hour service during emergencies.

2020 Goals:

- Complete Praxis/BOLTS system integration for Bremerton Tax and License, to replace the current TaxTools system.
- Get personnel trained on existing systems (where there is a knowledge gap) and new technology to improve overall efficiency.
- Map out and implement a redundant internet/network connection between city primary network locations.