

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 2018	Actual 2019	Budget 2020	Budget 2021
FTE positions	11.20	11.20	11.20	11.20
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	3,260,106	3,452,633	3,556,545	3,554,869
Fines & forfeits	0	0	0	0
Other revenue	5,010,723	3,802,906	4,936,341	4,288,622
Debt Proceeds	0	396,597	0	0
Total revenue	8,270,829	7,652,137	8,492,886	7,843,491
Expenditures				
Personnel	2,125,612	2,437,866	2,428,800	2,556,200
Supplies, services & taxes	2,767,635	4,008,397	3,565,595	3,876,517
Capital expenditures	1,763,168	1,833,168	2,076,734	1,163,095
Debt service	0	0	0	0
Transfers	250,000	0	71,742	0
Total expenditures	6,906,415	8,279,431	8,142,871	7,595,812
Fund totals - Expenditures only				
Risk Management	1,265,538	2,422,339	1,934,362	2,202,829
Employment Security	259,753	95,664	75,000	80,000
Accumulated Leave Liability	503,344	544,707	450,000	588,700
ER&R Maintenance	1,754,273	1,929,610	1,812,920	1,790,369
ER&R Reserves	1,767,135	1,834,084	2,061,734	1,169,718
Information Technology	1,356,372	1,453,307	1,808,855	1,764,196
Total Internal Service Funds	6,906,415	8,279,431	8,142,871	7,595,812
Revenue over(under) expenditure	1,364,414	-627,294	350,015	247,679
Beginning fund balance	7,004,756	8,369,170	7,910,852	8,510,720
Ending fund balance	\$8,369,170	\$7,741,876	\$8,260,867	\$8,758,399

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 2018	Actual 2019	Budget 2020	Budget 2021
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	2,147,755	1,868,586	1,844,362	2,207,829
Debt Proceeds	0	0	0	0
Total revenue	2,147,755	1,868,586	1,844,362	2,207,829
Expenditures				
Personnel	425,168	538,884	390,000	390,000
Supplies, services & taxes	840,370	1,883,455	1,472,620	1,812,829
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	71,742	0
Total expenditures	1,265,538	2,422,339	1,934,362	2,202,829
Revenue over(under) expenditure	882,217	-553,753	-90,000	5,000
Prior Period Adjustment	0	0	0	0
Beginning fund balance	1,733,414	2,615,631	2,572,551	2,873,775
Ending fund balance	\$2,615,631	\$2,061,878	\$2,482,551	\$2,878,775

2021 Budget Highlights:

- The Risk Management Fund does not have capital funds budgeted for 2021.
- 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, crime, workers' compensation and surety insurance and self-insurance programs.
- Investigate, evaluate and resolve self-insured liability claims presented against the City.
- Present, negotiate and resolve City claims and secure recovery from others for damage to City property
- Assure compliance with State's industrial insurance laws by providing mandatory workers' compensation benefits in a cost effective way.

2021 Capital Considerations:

- The Risk Management Fund does not have capital funds budgeted for 2021.

2020 Accomplishments:

- The Risk Management Fund does not have capital funds budgeted for 2021.
- Met established goal of maintaining a reserve balance at least equal to the projected fund liability.
- Obtained favorable insurance renewal rates.
- Through September 17, 2020, resolved 18 liability claims.
- Through September 17, 2020, recovered \$76,579.05 from third parties related to City property damage.
- Provided oversight to the City's Safety and Health Committee.

2021 Goals:

- The Risk Management Fund does not have capital funds budgeted for 2021.
- 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, crime, 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 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 2018	Actual 2019	Budget 2020	Budget 2021
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	22,129	7,130	4,000	4,000
Debt Proceeds	0	0	0	0
Total revenue	22,129	7,130	4,000	4,000
Expenditures				
Personnel	9,753	95,664	75,000	80,000
Supplies, services & taxes	0	0	0	0
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	250,000	0	0	0
Total expenditures	259,753	95,664	75,000	80,000
Revenue over(under) expenditure	-237,624	-88,533	-71,000	-76,000
Beginning fund balance	555,134	317,510	228,977	157,977
Ending fund balance	\$317,510	\$228,977	\$157,977	\$81,977

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 2018	Actual 2019	Budget 2020	Budget 2021
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	664,324	605,681	582,500	582,500
Debt Proceeds	0	0	0	0
Total revenue	664,324	605,681	582,500	582,500
Expenditures				
Personnel	503,344	544,707	450,000	588,700
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	503,344	544,707	450,000	588,700
Revenue over(under) expenditure	160,980	60,974	132,500	-6,200
Beginning fund balance	2,067	163,047	174,439	270,939
Ending fund balance	\$163,047	\$224,021	\$306,939	\$264,739

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 2018	Actual 2019	Budget 2020	Budget 2021
FTE positions	4.20	4.20	4.20	4.20
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	1,778,886	1,776,621	1,800,119	1,788,869
Fines & forfeits	0	0	0	0
Other revenue	2,981	1,673	2,800	4,350
Debt Proceeds	0	0	0	0
Total revenue	1,781,867	1,778,294	1,802,919	1,793,219
Expenditures				
Personnel	470,578	538,833	567,100	578,900
Supplies, services & taxes	1,283,695	1,390,777	1,230,820	1,211,469
Capital expenditures	0	0	15,000	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,754,273	1,929,610	1,812,920	1,790,369
Revenue over(under) expenditure	27,594	-151,316	-10,001	2,850
Beginning fund balance	310,125	337,719	5,883	6,064
Ending fund balance	\$337,719	\$186,403	-\$4,118	\$8,914

2021 Budget Highlights:

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

2021 Capital Considerations:

- There are no requested capital expenditures for the Equipment Services Division.

2020 Accomplishments:

- No lost time accidents.
- Adjusted operations for COVID restrictions and implemented safety protocols in order to keep the shop open in essential support roles for Fire, Police, Public Works and Parks Departments.
- Maintained the city's vehicle fleet in adequate condition to reduce downtime and safety issues.
- Relocated OAI to Garage to focus on inventory controls and administrative support.
- Upgraded Fuel Software for BFD Stations.
- Transferred from Masco to PetroCard (due to sale of company), including fuel cards without issue.
- Installed electronic lock on parts room entry door to increase parts room security.
- From January through September performed 494 preventive maintenance services and completed 761 repair work orders.
- Ordered new vehicles, due to receive in October or later (vehicles late for delivery due to COVID delays in production).
- Started in-house construction of 1000 gallon Anti-icer Application unit.

2021 Goals:

- Zero lost time work accidents.
- Continue implementation of inventory controls.
- Continue to maximize Assetworks.
- Work towards increasing our proactive maintenance program in order to provide safe and reliable 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 2018	Actual 2019	Budget 2020	Budget 2021
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	2,166,383	1,302,581	2,297,679	1,489,943
Debt Proceeds	0	146,597	0	0
Total revenue	2,166,383	1,449,178	2,297,679	1,489,943
Expenditures				
Personnel	0	0	0	0
Supplies, services & taxes	3,967	916	0	6,623
Capital expenditures	1,763,168	1,833,168	2,061,734	1,163,095
Debt service	0	0	0	0
Transfers & Other	0	0	0	0
Total expenditures	1,767,135	1,834,084	2,061,734	1,169,718
Revenue over(under) expenditure	399,248	-384,906	235,945	320,225
Beginning fund balance	3,913,110	4,312,358	4,092,271	4,365,234
Ending fund balance	\$4,312,358	\$3,927,452	\$4,328,216	\$4,685,459

2021 Budget Highlights:

- Dispose of obsolete equipment and vehicles.
- Pursue “Green” opportunities for fleet replacements.
- Add GPS tracking to vehicles that work remotely in the watershed for safety.

2021 Capital Considerations:

- Replace four Police Dodge Avengers with Hybrid Pursuit Vehicles.
- Replace two Police Crown Victoria’s with Hybrid Pursuit Vehicles.
- Replace 2001 International Truck with 2021 International & custom build SS Tank (Biosolids Application).
- Replace 2003 Chevrolet C3500 for Sewer Dept. with F-350 with Liftgate.
- Replace 1997 JD 310E BH for Parks with similar.

2020 Accomplishments:

- Purchased six Hybrid Police Vehicles.
- Replacement of 2 Street Department Ford F550, like kind with new stainless steel sanders.
- Replaced Sewer Maintenance dump truck with new 12 yd dump truck and snow removal capabilities.
- Rebuilt Street Department anti-icer truck with 4WD truck, larger capacity tank and plow.
- Purchased 1 F550 with plow and sander for wastewater treatment plant.
- Purchased new lift truck for Streets/Electronics.
- Purchased 1 Ford F350 for Forestry.
- Created Snow Plow Tracking Portal available for residents.
- Completed welding bay enclosure.

2021 Goals:

- 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
0077	102 - Streets	2001 International 2674	26,053	2021 International (Bio Solid Spreader)	\$ 501,182	\$ -	\$ 501,182
0302	102 - Streets	2003 Chevrolet C3500	73,949	2021 Ford F-360 with Liftgate	71,124	2,500	73,624
91559	20 - Police	2009 Dodge Avenger	96,492	2021 Ford Police Interceptor Utility-Hybrid with Safety Equip - Detective	50,000	14,000	64,000
91560	20 - Police	2008 Dodge Avenger	96,199	2021 Ford Police Interceptor Utility-Hybrid with Safety Equip - Detective	50,000	14,000	64,000
91561	20 - Police	2008 Dodge Avenger	117,853	2021 Ford Police Interceptor Utility-Hybrid with Safety Equip - Detective	50,000	14,000	64,000
91562	20 - Police	2008 Dodge Avenger	98,347	2021 Ford Police Interceptor Utility-Hybrid with Safety Equip - Detective	50,000	14,000	64,000
101557	20 - Police	2010 Ford Crown Victoria	128,892	2021 Ford Police Interceptor Utility-Hybrid with Safety Equip - Patrol	55,000	25,000	80,000
111529	20 - Police	2011 Ford Crown Victoria	129,968	2021 Ford Police Interceptor Utility-Hybrid with Safety Equip - Patrol	55,000	25,000	80,000
1873	51 - Parks	1997 John Deere 310E BH	5373 Hours	2021 John Deere 310 BH	91,289	1,000	92,289
					\$ 973,595	\$ 109,500	\$ 1,083,095

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

20 - Police	New Addition for Police	\$ 80,000	\$ 80,000
	K-9 Narcotics Vehicle	\$ -	\$ -
		\$ 80,000	\$ 80,000

Total Capital Purchases \$ 1,163,095

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 2018	Actual 2019	Budget 2020	Budget 2021
FTE positions	7.00	7.00	7.00	7.00
Revenue				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	1,481,220	1,676,012	1,756,426	1,766,000
Fines & forfeits	0	0	0	0
Other revenue	7,151	17,307	205,000	0
Debt Proceeds	0	250,000	0	0
Total revenue	1,488,371	1,943,319	1,961,426	1,766,000
Expenditures				
Personnel	716,769	719,778	946,700	918,600
Supplies, services & taxes	639,603	733,528	862,155	845,596
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
Total expenditures	1,356,372	1,453,307	1,808,855	1,764,196
Revenue over(under) expenditure	131,999	490,013	152,571	1,804
Beginning fund balance	490,906	622,905	836,731	836,731
Ending fund balance	\$622,905	\$1,112,918	\$989,302	\$838,535

2021 Budget Highlights:

- Streamline remote access support and develop training for remote access.
- Upgrade Voice Over IP phone system to latest system, added funds to replace outdated hardware but majority of cost is in the annual maintenance.

2021 Capital Considerations:

- There are no planned capital projects planned for 2021.

2020 Accomplishments:

- Streamline remote access support and develop training for remote access.
- Deployed multiple remote users due to the COVID Pandemic. Using existing technology and built in systems was able to support remote access for essential workers.
- Deployed new Virtual Private Network appliance to support higher volume remote access on a more permanent basis.
- Deployed 100 Laptops purchased with the COVID Cares funds. Was able to handle the deployment and load. Will use laptops for future remote work and permanent desktop replacement.
- Deployed a remote support system to support remote workers having issues on their workstations. Able to support computers over VPN as well as Remote Desktop users.

2021 Goals:

- Develop interactive IT training for end users.
- Replace or create remote access support for legacy software. This will allow simplified support.
- Move forward with complete paperless model.
- Work with the City Clerk to develop a workable Email archiving plan.

