



Internal Service Funds Fiscal Year 2009-2010

INTERNAL SERVICE FUNDS

PUBLIC SERVICE GOAL: *To continually build and maintain adequate reserves through annual budget contributions to protect the City's investment in high-cost computer technology and general equipment so that funding is available when needed for maintenance and replacement.*

Internal Service Funds are established to cover the cost of insurance and other ongoing administrative obligations and to separate these funds from the General Fund account. The City is self-insured for general liability, worker's compensation and employee health benefits coverage. Funds in these accounts are used to pay all self-insured losses and related administrative costs with the balance in each account at the end of the fiscal year accumulated as reserves against future liabilities.

In addition, the City established a Computer Maintenance/Replacement Fund in fiscal year 2001-2002, and in fiscal year 2005-2006 re-established the Equipment Revolving/Replacement Fund to insure the timely replacement of vital operating equipment. Internal contributions to the self-insurance funds are budgeted as pro-rata expenditures in each operating department and transferred monthly as revenue to the internal service fund accounts.

SELF - INSURANCE PROGRAMS

The City retains the services of Third Party Administrators (TPA) to handle claims for general liability, worker's compensation and health care claims. Current services are provided by:

General Liability Claims – Carl Warren & Co.

Workers' Compensation Claims – AdminSure

Health Benefits Plan – American Group Administrators, Inc.

- **General Liability**

The General Liability Fund provides for the City's general liability, self-insurance program and other insurance needs in order to reduce cost and provide better control; to provide for the administration and legal service necessary for the operation of this program; to provide insurance protection against catastrophic loss or losses and to provide payment of liability insurance purchased in excess of the City's self insurance limits.

Charges to departments are established by the Administrative Services Director/Assistant City Manager and included in the

budget manual. Total departmental charges for fiscal year 2009-2010 are \$1,134,040. Upon recommendation from the finance committee, additional reserves may be transferred at year end from the General Fund reserves.

- **Worker's Compensation**

The Workers' Compensation Fund is established to pay administrative and legal services necessary for the operation of this program; to provide payment of compensation benefits and medical expenses associated with industrial injuries; to provide insurance protection against a catastrophic loss or losses; to review and analyze the City's industrial injury risks and determine the most suitable means of reducing employee exposure; and to develop procedures for administration of the City's Self-Insurance Compensation and Safety Program.

Charges to departments are established by the Administrative Services Director and included in the budget manual. Total departmental charges for fiscal year 2009-2010 are \$805,347.

- **Health Benefits**

The City is self-insured for health benefits for its employees and purchases reinsurance to transfer some of its risk. Rates are set by the Health Benefits Committee, which is comprised of management and one employee from each of the employee bargaining groups. The committee reviews and analysis the cost of health care, changes in benefits, and market trends in order to establish the rate for health insurance. Fund levels are set at 70% confidence rate.

The fund is supported through contributions of both employees and the City as negotiated each year with the employee bargaining groups. The City's contribution is \$855 per month for the employee and one dependent. Employees contribute an additional \$325 per month if they have more than one dependent insured. Rates for life insurance vary depending on the bargaining group.

EQUIPMENT REPLACEMENT PROGRAM – Revolving

- **Computer Technology Maintenance and Replacement**

The Technology Replacement Fund sets aside funds to protect the City's investment in high-cost computer and related

technology. The fund was established based on the pro-rata deployment of equipment within each department and the associated cost of annual maintenance.

Charges to departments are calculated based on the number of computers that are supported by the Technology Resources division of the Administrative Services Department and the estimated life and projected replacement cost. Reserves build during the years that the equipment is under warranty and are used to replace and/or update equipment and software as needed.

- **Equipment Replacement Fund**

The Equipment Revolving Fund sets aside funds to protect the City's investment in general equipment, particularly rolling stock or other costly capital purchases. The fund was established based on the pro-rata deployment of equipment within each department and the associated cost of annual maintenance. Reserves build during the period that new equipment is under warranty so that funds are available to replace aging equipment as needed. Equipment needs are determined during the budget process. Each department presents a supplemental budget request and meets with the City Manager. The City Manager determines the priority based on the needs of the community and organization as a whole.

Internal Service Funds Historical by Program

Program	Category	2007-2008 Audited	2008-2009 Adopted	2009-2010 Adopted	% Increase/Decrease 2008-2009 Adopted to 2009-2010 Adopted
Self-Insurance Liability	Materials and Operations	370,381	434,625	434,625	0.00%
	Capital	0	0	0	0.00%
	Insurance Claims	663,840	1,200,000	1,200,000	0.00%
	Total Liability	1,034,221	1,634,625	1,634,625	0.00%
Self-Insurance Workers' Compensation	Materials and Operations	378,281	542,000	542,000	0.00%
	Capital	0	0	0	0.00%
	Insurance Claims	4,278,343	815,000	815,000	0.00%
	Total Workers' Compensation	4,656,624	1,357,000	1,357,000	0.00%
Self-Insurance Health Benefit Fund	Materials and Operations	2,354,638	2,365,000	2,365,000	0.00%
	Capital	0	0	0	0.00%
	Insurance Claims	2,632,572	3,000,000	3,000,000	0.00%
	Total Health Benefit Fund	4,987,210	5,365,000	5,365,000	0.00%
Computer and Technology Maintenance/Replacement	Materials and Operations	82,904	2,000	2,000	0.00%
	Capital	26,346	114,000	114,000	0.00%
	Insurance Claims	0	0	0	0.00%
	Total Computer and Technology	109,250	116,000	116,000	0.00%
City Equipment Revolving	Materials and Operations	71,513	0	0	0.00%
	Capital	85,684	163,625	89,372	-45.38%
	Insurance Claims	0	0	0	0.00%
	Total Equipment Revolving	157,197	163,625	89,372	-45.38%
Total Internal Service Funds	Materials and Operations	3,257,716	3,343,625	3,343,625	0.00%
	Capital	112,030	277,625	203,372	-26.75%
	Insurance Claims	7,574,754	5,015,000	5,015,000	0.00%
	Total Internal Service Funds	10,944,500	8,636,250	8,561,997	-0.86%