

# 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

<b>Internal Service Funds</b>				
	Actual 2019	Actual 2020	Budget 2021	Budget 2022
FTE positions	11.20	11.20	11.20	11.20
<b>Revenue</b>				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	279,203	0	0
Charges for services	3,452,633	3,474,084	3,554,869	3,837,209
Fines & forfeits	0	0	0	0
Other revenue	3,802,906	4,333,283	4,970,612	5,379,290
Debt Proceeds	396,597	230,850	0	0
<b>Total revenue</b>	<b>7,652,137</b>	<b>8,317,421</b>	<b>8,525,481</b>	<b>9,216,499</b>
<b>Expenditures</b>				
Personnel	2,437,866	2,172,868	2,731,200	2,441,113
Supplies, services & taxes	4,008,396	4,217,179	4,854,507	4,572,996
Capital expenditures	1,833,168	1,346,804	1,163,095	1,690,260
Debt service	0	0	0	0
Transfers	0	70,317	0	0
<b>Total expenditures</b>	<b>8,279,430</b>	<b>7,807,167</b>	<b>8,748,802</b>	<b>8,704,369</b>
<b>Fund totals - Expenditures only</b>				
Risk Management	2,422,339	2,619,872	2,647,829	2,656,970
Employment Security	95,664	44,670	80,000	70,000
Accumulated Leave Liability	544,707	400,545	588,700	482,866
ER&R Maintenance	1,929,609	1,602,148	1,790,369	1,877,144
ER&R Reserves	1,834,084	1,335,724	1,851,708	1,670,260
Information Technology	1,453,307	1,804,331	1,790,196	1,947,129
<b>Total Internal Service Funds</b>	<b>8,279,430</b>	<b>7,807,167</b>	<b>8,748,802</b>	<b>8,704,369</b>
Revenue over(under) expenditure	-627,293	510,254	-223,321	512,130
Beginning fund balance	8,369,170	7,741,876	9,306,684	9,227,953
<b>Ending fund balance</b>	<b>\$7,741,877</b>	<b>\$8,252,130</b>	<b>\$9,083,363</b>	<b>\$9,740,082</b>

# 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.

<b>Risk Management</b>				
	Actual 2019	Actual 2020	Budget 2021	Budget 2022
<b>Revenue</b>				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	85,443	0	0
Charges for services	0	0	0	0
Fines & forfeits	0	0	0	0
Other revenue	1,868,586	1,857,915	2,207,829	2,657,471
Debt Proceeds	0	0	0	0
<b>Total revenue</b>	<b>1,868,586</b>	<b>1,943,358</b>	<b>2,207,829</b>	<b>2,657,471</b>
<b>Expenditures</b>				
Personnel	538,884	334,332	565,000	390,000
Supplies, services & taxes	1,883,455	2,215,223	2,082,829	2,266,970
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	70,317	0	0
<b>Total expenditures</b>	<b>2,422,339</b>	<b>2,619,872</b>	<b>2,647,829</b>	<b>2,656,970</b>
Revenue over(under) expenditure	-553,753	-676,514	-440,000	501
Prior Period Adjustment	0	0	0	0
Beginning fund balance	2,615,631	2,061,878	2,732,927	2,544,211
<b>Ending fund balance</b>	<b>\$2,061,878</b>	<b>\$1,385,364</b>	<b>\$2,292,927</b>	<b>\$2,544,712</b>

**2022 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, crime, 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. Assure compliance with State's industrial insurance laws by providing mandatory workers' compensation benefits in a cost effective way.

**2022 Capital Considerations:**

- The Risk Management Fund does not have capital funds budgeted for 2022.

**2021 Accomplishments:**

- Met established goal of maintaining a reserve balance at least equal to the projected fund liability.
- Obtained insurance renewal rates.
- Through September 21, 2021, resolved 18 liability claims.
- Through September 21, 2021, recovered \$34,900.94 from third parties related to City property damage.
- Implemented a process with litigation attorney and legal assistance to file civil suits on unpaid property damage claims.
- Provided oversight to the City's Safety and Health Committee.
- Ensured the City's COVID-19 Exposure, Mitigation, and Recovery Plan was kept up-to-date and complied with local and state requirements.

**2022 Goals:**

- Continue to maintain a reserve balance at least equal to the projected fund liability.
- Join the insurance pool through WCIA for the City's liability, property, cyber, crime, and pollution insurance.
- Obtain favorable renewal rates for the City's excess pollution, aviation, marine, 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.

<b>Employment Security</b>				
	Actual 2019	Actual 2020	Budget 2021	Budget 2022
<b>Revenue</b>				
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	7,130	3,061	4,000	82,000
Debt Proceeds	0	0	0	0
<b>Total revenue</b>	<b>7,130</b>	<b>3,061</b>	<b>4,000</b>	<b>82,000</b>
<b>Expenditures</b>				
Personnel	95,664	44,670	80,000	70,000
Supplies, services & taxes	0	0	0	0
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
<b>Total expenditures</b>	<b>95,664</b>	<b>44,670</b>	<b>80,000</b>	<b>70,000</b>
Revenue over(under) expenditure	-88,533	-41,609	-76,000	12,000
Beginning fund balance	317,510	228,977	187,368	213,668
<b>Ending fund balance</b>	<b>\$228,977</b>	<b>\$187,368</b>	<b>\$111,368</b>	<b>\$225,668</b>

## 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.

<b>Accumulated Leave Liability</b>				
	Actual 2019	Actual 2020	Budget 2021	Budget 2022
<b>Revenue</b>				
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	605,681	626,130	582,500	592,000
Debt Proceeds	0	0	0	0
<b>Total revenue</b>	<b>605,681</b>	<b>626,130</b>	<b>582,500</b>	<b>592,000</b>
<b>Expenditures</b>				
Personnel	544,707	400,545	588,700	482,866
Supplies, services & taxes	0	0	0	0
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
<b>Total expenditures</b>	<b>544,707</b>	<b>400,545</b>	<b>588,700</b>	<b>482,866</b>
Revenue over(under) expenditure	60,974	225,585	-6,200	109,134
Beginning fund balance	163,047	224,021	449,606	243,067
<b>Ending fund balance</b>	<b>\$224,021</b>	<b>\$449,606</b>	<b>\$443,406</b>	<b>\$352,201</b>

# 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.

<b>ER&amp;R Maintenance</b>				
	Actual 2019	Actual 2020	Budget 2021	Budget 2022
FTE positions	4.20	4.20	4.20	4.20
<b>Revenue</b>				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	0	0	0
Charges for services	1,776,621	1,717,659	1,788,869	1,883,480
Fines & forfeits	0	0	0	0
Other revenue	1,673	7,390	4,350	2,550
Debt Proceeds	0	0	0	0
<b>Total revenue</b>	<b>1,778,294</b>	<b>1,725,049</b>	<b>1,793,219</b>	<b>1,886,030</b>
<b>Expenditures</b>				
Personnel	538,833	532,603	578,900	583,847
Supplies, services & taxes	1,390,776	1,052,164	1,211,469	1,268,297
Capital expenditures	0	17,380	0	25,000
Debt service	0	0	0	0
Transfers	0	0	0	0
<b>Total expenditures</b>	<b>1,929,609</b>	<b>1,602,148</b>	<b>1,790,369</b>	<b>1,877,144</b>
Revenue over(under) expenditure	-151,315	122,901	2,850	8,886
Beginning fund balance	337,719	186,403	111,511	111,672
<b>Ending fund balance</b>	<b>\$186,403</b>	<b>\$309,304</b>	<b>\$114,361</b>	<b>\$120,558</b>

### **2022 Budget Highlights:**

- Assess Equipment Services Operational needs for planning considerations of the Oyster Bay Expansion Project.
- Continued Asset Works tracking software program and expanded capabilities for Vehicle Service and Maintenance.

### **2022 Capital Considerations:**

- Specialty tool and shop equipment purchases to replace aged, worn items.
- Purchase of four (4) new vehicle portable lift units.
- Construct a storage structure and shelving for tires, sweeper brooms and other related equipment.

### **2021 Accomplishments:**

- Safely maintained full / uninterrupted service support to City Departments while adhering to Covid 19 pandemic restrictions.
- Completed over 1000 Work Orders, with an estimated 75% shop productivity rating for the Automotive Technicians.
- Upgraded Shop computer equipment, scanners and tools to meet current stringent requirements of Heavy Truck and Off Highway Equipment.
- Completed biannual recertification of 45 plus police radar units.

### **2022 Goals:**

- Zero lost time accidents, City property damage or loss by staff.
- Continue to provide industry standard vehicle and equipment repairs and services to all City Departments.
- Explore options available for an In-House warranty service for Ford brand Fleet vehicles.
- Complete contracts for fuels, oils, fluids and other petroleum products.
- Research the expanded version of Asset Works software program to increase Shop Tool and equipment accountability, data collection and other required tasks.
- Repair and service training for Mechanic Technicians, specifically for Emergency and specialized vehicles.
- Work towards increasing ESD Proactive Maintenance Programs in order to provide safe and reliable equipment and vehicles to all City Departments.
- Continued education and training opportunities for Automotive Technicians for current and future equipment and vehicles within the Fleet.



## 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.

<b>ER&amp;R - Reserves</b>				
	Actual 2019	Actual 2020	Budget 2021	Budget 2022
<b>Revenue</b>				
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	1,302,581	1,822,311	2,171,933	2,037,769
Debt Proceeds	146,597	30,850	0	0
<b>Total revenue</b>	<b>1,449,178</b>	<b>1,853,161</b>	<b>2,171,933</b>	<b>2,037,769</b>
<b>Expenditures</b>				
Personnel	0	0	0	0
Supplies, services & taxes	916	6,300	688,613	5,000
Capital expenditures	1,833,168	1,329,424	1,163,095	1,665,260
Debt service	0	0	0	0
Transfers & Other	0	0	0	0
<b>Total expenditures</b>	<b>1,834,084</b>	<b>1,335,724</b>	<b>1,851,708</b>	<b>1,670,260</b>
Revenue over(under) expenditure	-384,906	517,438	320,225	367,509
Beginning fund balance	4,312,358	3,927,452	4,641,715	4,944,563
<b>Ending fund balance</b>	<b>\$3,927,452</b>	<b>\$4,444,890</b>	<b>\$4,961,940</b>	<b>\$5,312,072</b>

**2022 Budget Highlights:**

- Submit all new vehicle and equipment purchases as soon as allowed to expedite receipt.
- Continue efforts to utilize Hybrid and electric vehicles where possible.
- Evaluate Fleet vehicles and equipment, assess needs and wants of Departments for current and future planning.

**2022 Capital Considerations:**

- Purchase four (4) new electric vehicles for City executive, and Police Administration Departments.
- Purchase a new Mini Excavator, equipment and trailer for the Sewer Maintenance Division.
- Purchase a new Police Command Vehicle.

**2021 Accomplishments:**

- Continued the assessment of snow and ice removal equipment and special services required during inclement weather conditions.
- Organize and restructure ESD parts, materials, tools and equipment from recent Repair Shop addition.
- Secure purchase of cab & chassis and stainless steel fabricated body for the Biosolids spreader vehicle.
- Purchase and place in service two good used State Police Vehicles. One for City Patrol and one for Water Shed Patrol use.
- Purchase and place into service, four (4) Hybrid Police Detective vehicles.
- Purchase of utility trailer for portable toilet and mower transport, for the Street Division.

**2022 Goals:**

- Consider options and feasibility of a Fleet Vehicle Loaner Program for all Departments to utilize.
- Surplus disposal of underutilized vehicles and equipment per City Policies and Procedures.

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

Vehicle Number	Fund/Dept.	Retiring Vehicle/Equipment	Approximate Mileage	Replacement Reserve	Anticipated Replacement Vehicle	Quote Obtained	Replacement Cost	Equipment Cost	Total
3103	102 - Streets	2006 Ford F550 Truck Crew 4x4 w/ Stllift	61,982 \$	119,539	5 yard dump with plow and sander				
3104	102 - Streets	2006 Ford F550 Truck Crew 4x4	49,945 \$	117,405		X	\$ 230,000	\$ 3,000	\$ 233,000
3106	102 - Streets	1994 International 2574 10 YD Dump Truck	228,302 \$	250,000	Like-kind with plow	X	250,000	-	250,000
0372	451 - Sewer	1991 JOHN DEERE 710C BH	NA	108,356	Kubota Mini-excavator with trailer	X	100,000		100,000
0013	401 - Water	2006 Toyota Prius Hybrid	61,266 \$	33,525	All electric vehicle	X	38,000	500	38,500
82105	12 - Executive	2009 Ford Escape Hybrid AWD SUV	105,570 \$	45,962	All electric vehicle	X	38,000	-	38,000
1344	16 - DCD	2002 Dodge Grand Caravan	62,694 \$	31,152	Ford Escape Hybrid	X	33,000	1,000	34,000
1343	20 - Police	2002 Chevrolet Express 15-Passenger Van	41,354 \$	30,930	Prisoner Transport	X	43,972	3,000	46,972
1537	20 - Police	2004 Ford Taurus Sedan	116,252 \$	19,161	All electric vehicle	X	38,000	500	38,500
1539	20 - Police	2004 Ford Taurus Sedan	117,858 \$	19,161	All electric vehicle	X	38,000	-	38,000
81553	20 - Police	2008 Ford Taurus Sedan	122,029 \$	27,297	Hybrid SUV, full detective light package	X	45,000	15,000	60,000
121409	20 - Police	2012 Chevrolet Caprice Sedan	90,441 \$	63,432	Hybrid SUV, full slick top package		45,000	20,000	65,000
0352	51 - Parks	2001 Ford F450 Super Duty	118,650 \$	71,540	Like-kind		75,000	-	75,000
1818	51 - Parks	2005 Chevrolet Express Van	65,625 \$	34,189	Ford 15-passenger high roof transit	X	43,644	-	43,644
1819	51 - Parks	2005 Chevrolet Express 15-Passenger Van	71,884 \$	34,793	Ford 15-passenger high roof transit	X	43,644		43,644
NA	509 - ESD	1996 Genie Z30/20HD Lift	NA	12,310	Like-kind				
171935	509 - ESD	Steril Koni Portable Vehicle lifts	NA	78,258	Like-kind		80,000		80,000
							<b>\$ 1,141,260</b>	<b>\$ 43,000</b>	<b>\$ 1,184,260</b>

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

401 - Water	New Addition for Forestry	Mini-Excavator	\$ 80,000	\$ -	80,000
481 - Stormwater	New Addition for SW Ops	2022 Ford Mavenek Hybrid, Front-Wheel Drive, Crew Cab	\$ 30,000	\$ 6,000	36,000
001 - General Fund (Police)	5 New Additions for Police	2022 Ford Police Interceptor AWD Hybrid	\$ 275,000	\$ 90,000	365,000
			<b>\$ 385,000</b>	<b>\$ 96,000</b>	<b>\$ 481,000</b>

**Total Capital Purchases \$ 1,665,260**

## 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.

<b>Information Technology</b>				
	Actual 2019	Actual 2020	Budget 2021	Budget 2022
FTE positions	7.00	7.00	7.00	7.00
<b>Revenue</b>				
Taxes	\$0	\$0	\$0	\$0
Licenses & permits	0	0	0	0
Intergovernmental	0	193,760	0	0
Charges for services	1,676,012	1,756,426	1,766,000	1,953,729
Fines & forfeits	0	0	0	0
Other revenue	17,307	16,477	0	7,500
Debt Proceeds	250,000	200,000	0	0
<b>Total revenue</b>	<b>1,943,319</b>	<b>2,166,662</b>	<b>1,766,000</b>	<b>1,961,229</b>
<b>Expenditures</b>				
Personnel	719,778	860,717	918,600	914,400
Supplies, services & taxes	733,528	943,614	871,596	1,032,729
Capital expenditures	0	0	0	0
Debt service	0	0	0	0
Transfers	0	0	0	0
<b>Total expenditures</b>	<b>1,453,307</b>	<b>1,804,331</b>	<b>1,790,196</b>	<b>1,947,129</b>
Revenue over(under) expenditure	490,013	362,330	-24,196	14,100
Beginning fund balance	622,905	1,112,918	1,183,557	1,170,772
<b>Ending fund balance</b>	<b>\$1,112,918</b>	<b>\$1,475,248</b>	<b>\$1,159,361</b>	<b>\$1,184,872</b>

**2022 Budget Highlights:**

- Restart of PC Replacement Program.
- New DCD permitting SaaS, Remote Access improvements.
- New Lumen (CenturyLink) Fiber for faster more reliable internet.
- Remote access phone system updates.

**2022 Capital Considerations:**

- There are no planned capital projects planned for 2022.

**2021 Accomplishments:**

- MFA Security upgrade.
- Remote Access performance improvements.
- Helpdesk workflow and QOS improvements.
- Email security enhancements.

**2022 Goals:**

- Continue to improve network security programs and policies.
- Get PC replacements back on schedule.
- Improve remote access quality.
- Move the city further into a paperless electronic medium for documents and signatures.

