

INTERNAL
SERVICE FUNDS

INTERNAL SERVICE FUNDS

GENERAL LIABILITY AND WORKERS' COMPENSATION SELF-INSURANCE PROGRAMS

The City's various property and casualty insurance programs are consolidated into one Internal Service Fund. This fund includes the following insurance coverages:

- General and Automobile Liability;
- Automobile Physical Damage;
- All-Risk Major Property (excluding flood and earthquake);
- Boiler and Machinery, and
- Crime/Faithful Performance of Duty;

Most of the above insurance coverages are obtained through the City's participation as a member of the California Joint Powers Risk Management Authority (CJPRMA).

The City provides workers' compensation benefits to injured workers in accordance with the State of California Labor Code. The City is self-insured under a certificate of consent issued by the State of California Department of Industrial Relations. The City pays for the first \$350,000 of any one occurrence. The City obtains excess workers' compensation coverage through its participation in the Local Agency Workers' Compensation Excess (LAWCX) Joint Powers Authority.

The costs incurred for these insurance programs are allocated to departments through internal service charges. Workers' comp charges are based on a percentage of salary. For FY 06-07, workers' comp charges range from 3% - 10% of salary, depending on job classification, averaging about 6.1% of payroll.

Data on reserve funding and estimated long-term liabilities are shown below:

	Estimated 6/30/2007	Estimated 6/30/2008	Estimated 6/30/2009
Long Term Claims Liability:			
Workers' Compensation	\$ 4,817,000	\$ 4,817,000	\$ 4,817,000
General Liability	\$ 864,000	\$ 864,000	\$ 864,000
Total Long Term Liabilities	\$ 5,681,000	\$ 5,681,000	\$ 5,681,000
Reserve Funding:			
Workers' Compensation	\$ 2,690,000	\$ 4,677,700	\$ 4,941,823
General Liability	\$ 2,635,121	\$ 1,036,640	\$ 883,675
Total Reserve Funding	\$ 5,325,121	\$ 5,714,340	\$ 5,825,498
Percent Funded:	94%	101%	103%

Overall, long term liabilities have been declining over the past several years for both general liability and workers' compensation. The percent funded represents the amount of funding available to meet the reserve requirement.

RETIREE BENEFITS

This fund is used to account for two types of expenses per existing labor agreements: (1) retiree medical insurance benefits, and (2) payment of accrued and vested leave balances to employees who are retiring or otherwise leaving City employment. Costs incurred for this program are allocated to departments through internal service charges, based on a percentage of payroll. Costs have been increasing steadily, due to significant increases in health care premiums and a growing retiree population. For FY 07/08, the internal service charge has been increased to 7.35% of salary costs.

With respect to retiree medical benefits, the City has an unfunded liability related to future benefits payable to existing retirees and employees. The liability can be reduced substantially by "pre-funding" the obligation to pay medical benefits the same as we do for retirement benefits. Beginning in FY 07/08 the internal charges for retiree medical benefits were increased by \$800,000 citywide, of which \$500,000 will be coming from the General Fund. This set aside amount will have to increase in the future to fully implement the pre-funding plan.

CENTRAL GARAGE AND FUEL STATION

Central Garage services for City vehicles are provided through Public Works. Departments are charged for actual work performed on their vehicles, on a time and materials basis. Rates are routinely compared with an average of private auto repair services to ensure that the City's costs are at or below market. A fuel and compressed natural gas (CNG) station is also operated at the Central Garage. An increase in the fuel station budget reflects the increased cost of fuel supplies.

VEHICLE AND EQUIPMENT REPLACEMENT FUND

This internal service fund is used to replace existing vehicles, including police patrol cars, sedans, vans, and pickups, as well as other rolling stock such as tractors, trailer-mounted pumps and generators, and gators. Excluded are ambulances and major fire apparatus, which are on a lease-purchase program. Balances are tracked by the contributing funding source. Additions to the fleet are budgeted in departmental operating budgets.

TECHNOLOGY REPLACEMENT FUND

Information technology has become an essential and integral part of City operations and services. As its role has grown, so has the need to maintain the hardware and software that is critical to the organization-wide technology infrastructure. Based on the recommendation of the Information Technology Steering Committee (ITSC), an internal service fund for technology was established in FY 05/06. Included are servers and desktop computers (based on a 4 year lifespan), network devices, and software licensing for citywide applications. Through this replacement mechanism, the organization benefits from consistent availability of mission-critical technology, improved data security, increased staff efficiency, and greater accessibility to current versions of software applications. Costs are allocated to department operating budgets through internal service charges based on number of desktop computers and the applications that reside on each server.

The budget for FY 07/08 includes the addition of the Police Department's mobile computer terminals (MCT's) to the Technology Replacement Fund. It also includes several additional PC's and other hardware costs. The beginning fund balance for FY07/08 will be approximately \$135,000. The internal charges are calculated annually based on smoothing over five years; however, the expenditures are based on the purchase date and life of the devices and therefore vary from year to year.

City of Vacaville
 FY 2007-2009 Budget

GENERAL LIABILITY SELF-INSURANCE
 INTERNAL SERVICE FUND

	2005/06 Adopted Budget	2006/07 Estimated	2007/08 Proposed Budget	2008/09 Proposed Budget
Resources:				
Projected Beginning Balance <i>(working capital)</i>	\$2,068,286	\$2,305,161	\$2,474,578	\$1,036,640
Internal Charges	1,051,990	1,163,929	1,116,592	1,102,960
Total Resources:	\$3,120,276	\$3,469,090	\$3,591,170	\$2,139,600
Uses:				
Pooled and Excess Insurance Costs	\$682,053	\$670,090	\$680,500	\$697,000
Transfer to Retiree Medical	0	0	1,300,000	0
Claims Administration	259,403	204,422	449,030	433,925
Claims Losses	629,307	120,000	125,000	125,000
Total Uses:	\$1,570,763	\$994,512	\$2,554,530	\$1,255,925
Projected Ending Balance:	\$1,549,513	\$2,474,578	\$1,036,640	\$883,675

City of Vacaville
 FY 2007-2009 Budget

WORKERS COMPENSATION
 INTERNAL SERVICE FUND

	2005/06 Adopted Budget	2006/07 Estimated	2007/08 Proposed Budget	2008/09 Proposed Budget
Resources:				
Projected Beginning Balance (<i>working capital</i>)	\$2,682,506	\$3,007,264	\$4,434,181	\$4,677,700
Internal Charges	2,620,000	2,745,034	2,350,000	2,455,750
Total Resources:	\$5,302,506	\$5,752,298	\$6,784,181	\$7,133,450
Uses:				
Pooled and Excess Insurance Costs	\$515,500	\$353,400	\$389,548	\$416,840
Claims Administration	207,900	208,064	606,933	567,787
Benefit Payments	1,450,000	756,653	1,110,000	1,207,000
Transfer to Retiree Benefits Fund	350,000	0	0	0
Total Uses:	\$2,523,400	\$1,318,117	\$2,106,481	\$2,191,627
Projected Ending Balance:	\$2,779,106	\$4,434,181	\$4,677,700	\$4,941,823

**City of Vacaville
FY 2007-2009 Budget**

**RETIREE BENEFITS
INTERNAL SERVICE FUND**

	2005/06 Adopted Budget	2006/07 Estimated	2007/08 Proposed Budget	2008/09 Proposed Budget
Resources:				
Projected Beginning Balance	(\$320,029)	\$1,109,907	\$1,082,736	\$1,082,736
Transfer from Insurance Reserve Funds	350,000	0	1,300,000	0
Internal Charges	1,875,557	2,417,669	3,603,572	4,031,285
Total Resources:	\$1,905,528	\$3,527,576	\$5,986,308	\$5,114,021
Uses:				
Retiree Medical Premiums	\$1,548,108	\$1,869,840	\$2,480,844	\$2,908,557
Retiree Medical Setaside	0	0	2,100,000	800,000
Payments for Accrued Leave Balances	355,000	575,000	322,728	322,728
Total Uses:	\$1,903,108	\$2,444,840	\$4,903,572	\$4,031,285
Projected Ending Balance:	\$2,420	\$1,082,736	\$1,082,736	\$1,082,736

Note: The transfer from Workers Comp fund to Retiree Benefits fund was implemented at the end of FY 04-05, and is reflected in the beginning balance of the estimated column

City of Vacaville
 FY 2007-2009 Budget

CENTRAL GARAGE & FUEL STATION
 INTERNAL SERVICE FUND

	2005/06 Adopted Budget	2006/07 Estimated	2007/08 Proposed Budget	2008/09 Proposed Budget
Resources:				
Projected Beginning Balance (<i>working capital</i>)	\$85,271	\$57,000	\$109,139	\$109,139
Internal Service Charges, Garage	1,284,747	1,467,852	1,666,139	1,575,365
Internal Service Charges, Fuel/CNG Station	685,775	1,008,388	884,206	967,339
Total Resources:	\$2,055,793	\$2,533,240	\$2,659,484	\$2,651,843
Uses:				
Salaries and Benefits	\$798,389	\$806,563	\$853,755	\$901,021
Sublet Costs - Garage	232,887	293,438	303,709	314,339
Vehicle Parts - Garage	214,408	332,400	344,034	356,075
Garage Supplies and Overhead	133,191	139,850	164,641	3,930
Fuel Station Supplies and Overhead	699,763	851,850	884,206	967,339
Total Uses:	\$2,078,638	\$2,424,101	\$2,550,345	\$2,542,704
Projected Ending Balance:	(\$22,845)	\$109,139	\$109,139	\$109,139

City of Vacaville
 FY 2007-2009 Budget

VEHICLE & EQUIPMENT REPLACEMENT
 INTERNAL SERVICE FUND

	2005/06 Adopted Budget	2006/07 Estimated	2007/08 Proposed Budget	2008/09 Proposed Budget **
Resources:				
Projected Beginning Balance (<i>working capital</i>)	\$2,472,455	\$2,682,397	\$3,147,645	\$2,973,201
Operating Transfer from General Fund	300,000	300,000	300,000	300,000
Internal Service Charges, Water	90,075	87,975	87,974	0
Internal Service Charges, Sewer	108,772	111,942	111,942	0
Internal Service Charges, Engineering Services	35,641	35,641	0	0
Internal Service Charges, Building Related	9,690	9,690	9,690	0
Internal Service Charges, L&L Districts	98,632	98,680	97,950	0
Total Resources:	\$3,115,265	\$3,326,325	\$3,755,201	\$3,273,201
Uses:				
Vehicles, General Fund	\$304,000	\$300,000	\$300,000	\$300,000
Vehicles, Water	27,000	52,000	285,375	0
Vehicles, Sewer	54,000	28,000	309,625	0
Vehicles, Engineering Services	18,000	0	0	0
Vehicles, Building Related	18,000	0	86,000	0
Vehicles, L&L Districts	54,000	98,680	101,000	0
Total Uses:	\$475,000	\$178,680	\$782,000	\$0
Projected Ending Balance:	\$2,640,265	\$3,147,645	\$2,973,201	\$3,273,201

** FY 08/09 equipment replacement to be determined.

Note: Balances are tracked by individual fund.

Fiscal Year 2006/07 Beginning Balance:

General Fund	0
Water	\$1,124,488
Sewer	556,112
Engineering Services	397,848
Building Related	120,170
L&L Districts	145,381
	<u>2,343,999</u>

**City of Vacaville
FY 2007-2009 Budget**

**TECHNOLOGY REPLACEMENT
INTERNAL SERVICE FUND**

	2005/06 Adopted Budget	2006/07 Estimated	2007/08 Proposed Budget	2008/09 Proposed Budget
Resources:				
Projected Beginning Balance <i>(working capital)</i>	\$0	\$201,111	\$134,326	\$128,652
Internal Service Charges	649,331	729,711	891,167	873,168
Total Resources:	\$649,331	\$930,822	\$1,025,493	\$1,001,820
Uses:				
Server Replacement	\$139,000	\$99,484	\$109,480	\$109,480
PC Replacement	135,000	200,696	272,351	270,152
Network Device Replacement	75,000	238,573	83,000	80,000
Software Licensing	282,624	357,227	403,550	403,550
Services & Non Capital Computer Equipment	0	44,349	28,460	28,460
Total Uses:	\$631,624	\$796,496	\$896,841	\$891,642
Projected Ending Balance:	\$17,707	\$134,326	\$128,652	\$110,178