

2018-2019

# INTERNAL SERVICE FUNDS



FIRE DEPARTMENT AT HIGH SCHOOL BONFIRE 2017. PHOTO CREDIT WKGN PR DEPT.

PROPOSED BUDGET

City of Waukegan

2018-2019

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## INTERNAL SERVICE FUNDS OVERVIEW

The city maintains Internal Service Funds to process insurance payments before charging those costs back to the funds generating the expense.

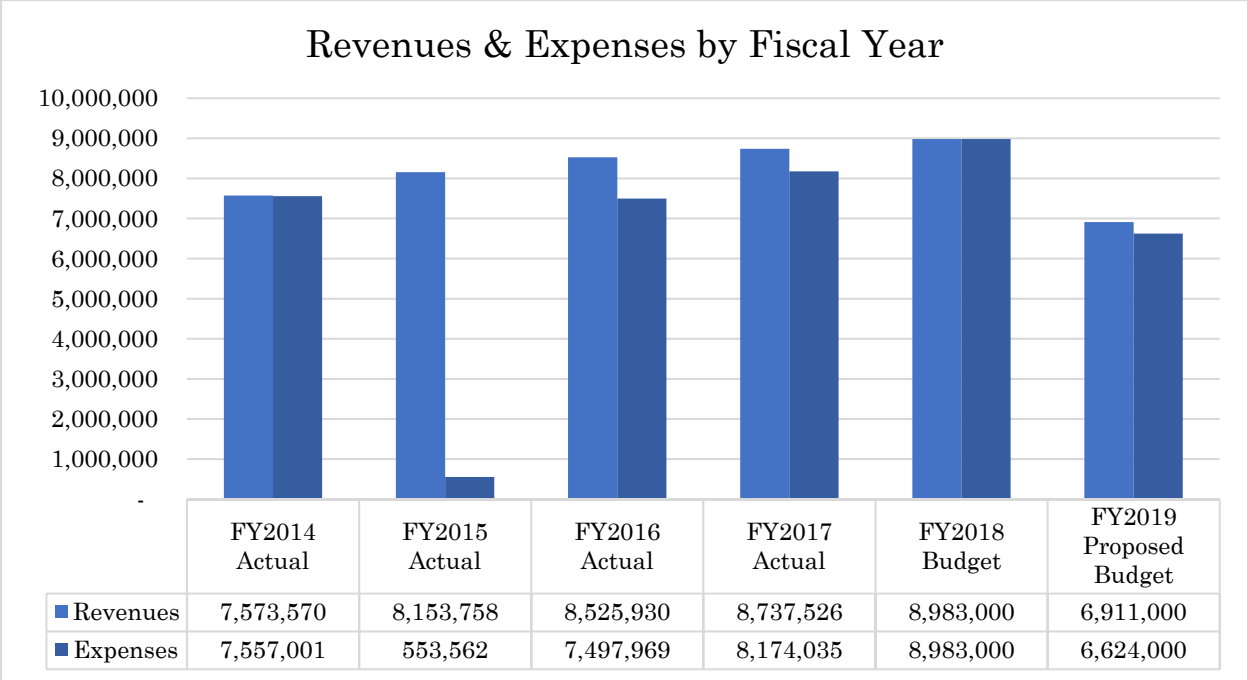
The city has various arrangements for medical, dental and life insurance coverage for all full-time employee groups as well as some programs relative to retirees. The city's premiums are run through the Employee Benefit Plan Fund with charges assigned back to the department from which the employee or retiree is associated.

In addition, the city is exposed to various risk of loss claims related to workers' compensation, property damage, torts, errors, and omissions, etc. The financial activity related to these risks is run through the Safety and Risk Management Fund and then charged back to the appropriate departmental budget to recoup those costs. The Self-Funded Flexible Fund is the flow-through of voluntary monies withheld from employees' paychecks for a Section 125 plan which are immediately remitted to the third party administrator.

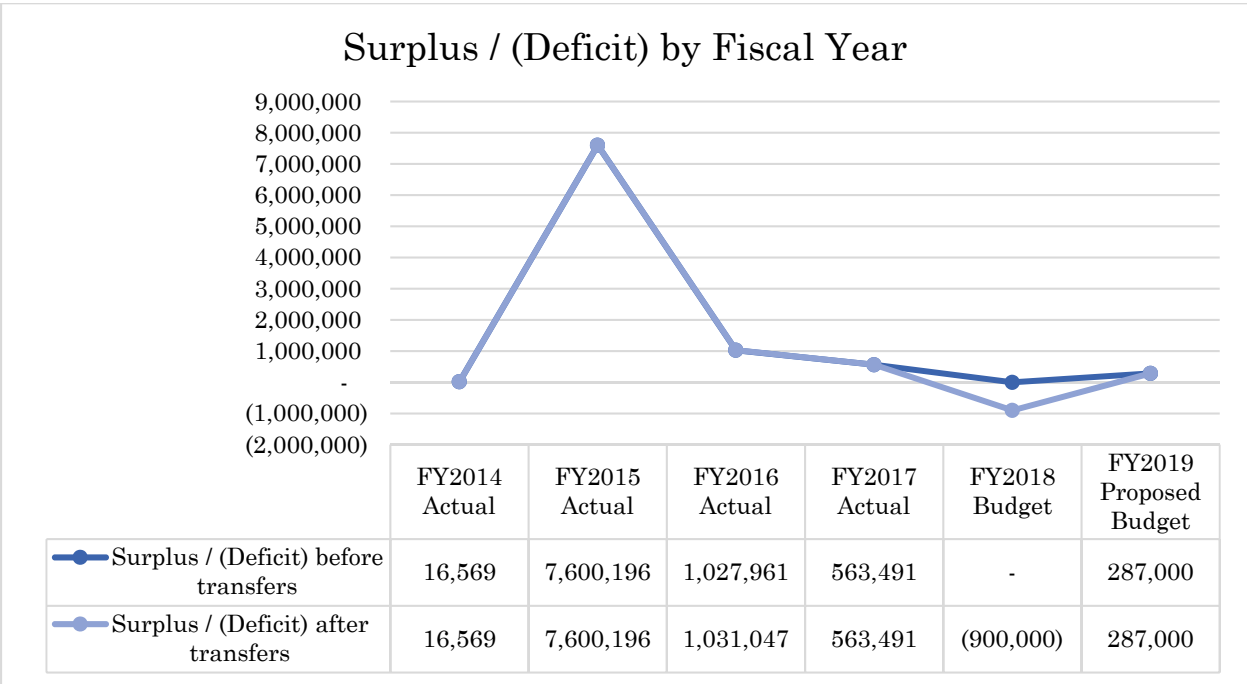
## SOURCES & USES OF FUNDS

Sources & Uses of Funds	
Revenues	\$6,911,000
Expenditures	-6,624,000
Surplus / (Deficit) before transfers	287,000
Transfers-In	0
Transfers-Out	0
Surplus / (Deficit) after transfers	287,000

The Internal Service Funds' projected revenues are \$6.9 million for FY19, and expenses are estimated at \$6.6 million resulting in a surplus of \$287 thousand with no planned transfers.

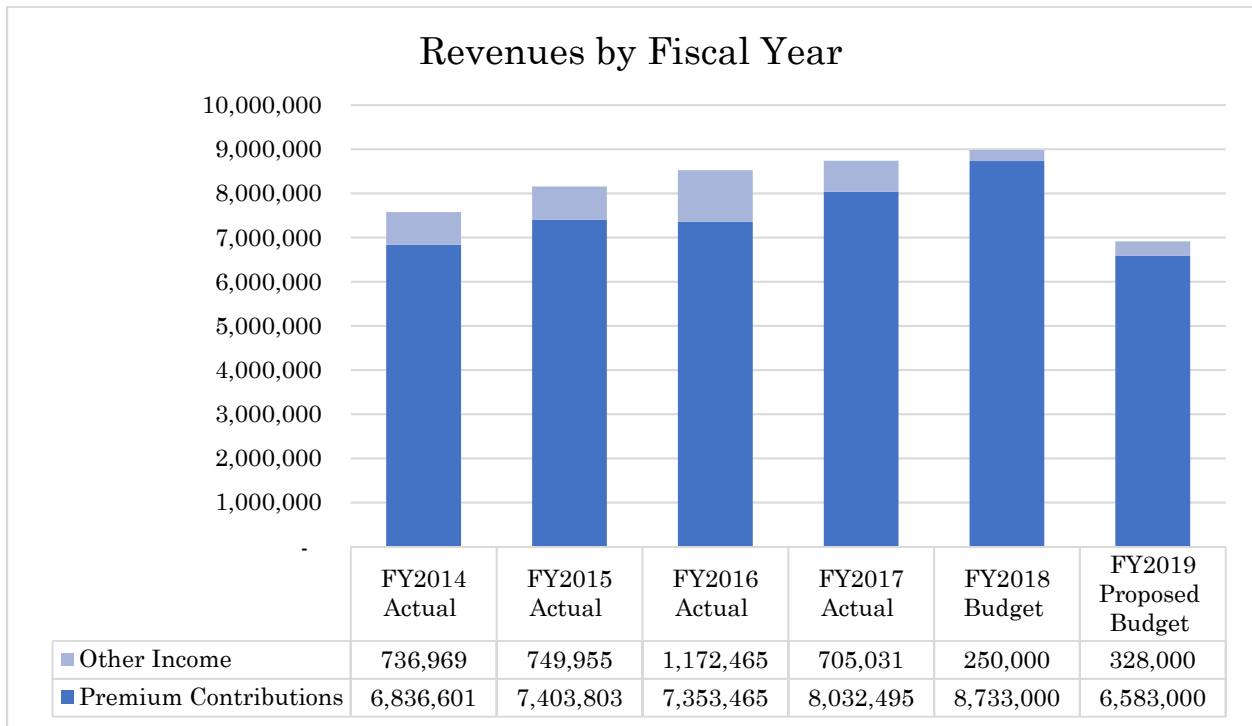


Internal Service Funds' FY19 revenues are estimated to decline by -23%, or \$2.0 million, and similarly the expenses are estimated to decrease -26%, or \$2.4 million as well. This is directly related to final resolution of a 3-year payment associated with a police liability claim being completed last fiscal year. With the drop in projected liability disbursements, the revenues generated from charging back the operating funds falls as well.



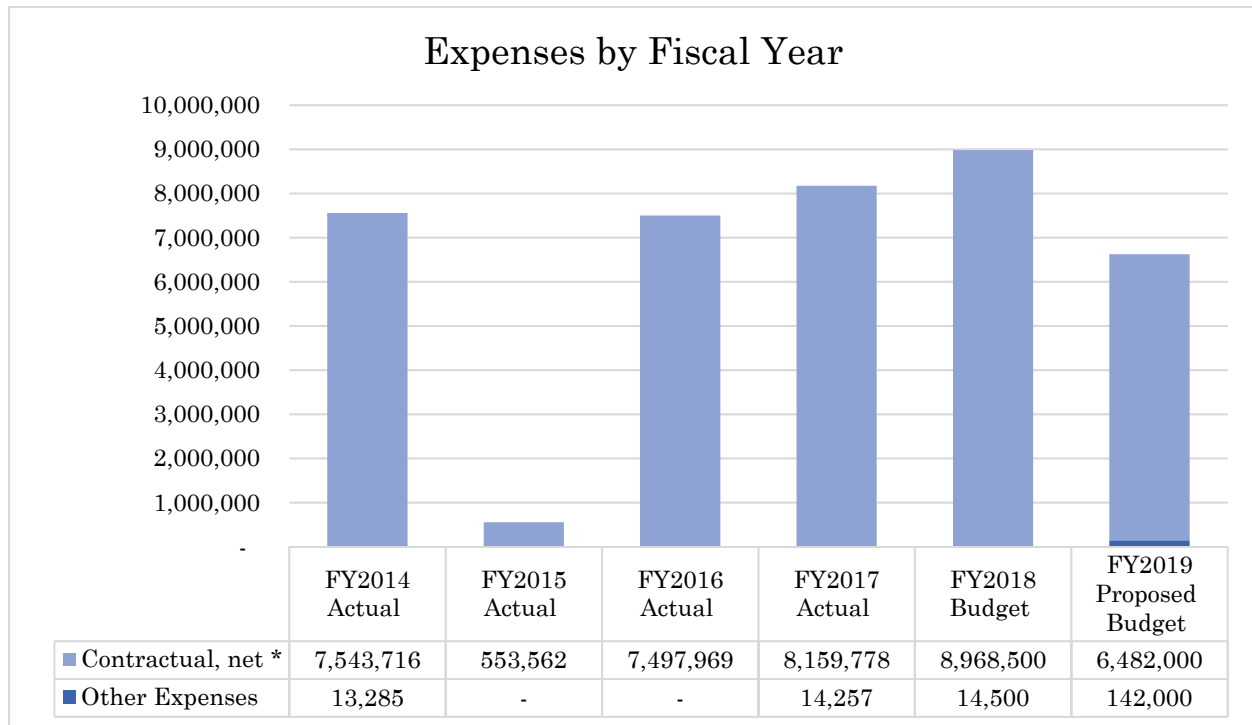
The Internal Service Funds are expected to generate a surplus of \$287 thousand, which reflects the administrative surcharge levied against the operating departments, and is intended to create a healthy fund balance over time to mitigate the need to borrow funds for large one-time settlements or payouts. The large surpluses in prior years, FY15 and FY16 specifically, reflect the “write-off” of internal loans from the Fiduciary Fund to the Internal Service Funds as repayment was deemed unlikely. The deficit in FY18 was related to a one-time transfer of carrier reimbursement out of the Internal Service Fund to the General Fund relative to a police liability claim.

**REVENUES**



The premiums collected from employees, employer contributions, and the related charge-backs to the departments account for the revenues to these funds. As aforementioned, the resolution of one large police liability claim is reflected in the drop-off in Premiums Contributions declining from \$8.7 million in FY18 to \$6.6 million in FY19.

## EXPENSES



Expenditures are the payment of employer and employee premiums for the various insurance coverages. These are shown net of a contra-expense when workers compensation and general liability charge-backs occur monthly. The total cost of employee medical, dental and life insurance programs is estimated at \$6.6 million for FY19. The claims expense relative to the city’s workers compensation, liability, and property claims is budgeted for \$3.6 million in FY19.

## HEADCOUNT

<b>Internal Service Funds Central Services</b>								
	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 Proposed	Change	
Risk Manager	-	-	-	-	-	1.00	1.00	
	-	-	-	-	-	1.00	1.00	

The FY19 proposal includes the addition of a full-time, in-house Risk Manager. By centralizing and compartmentalizing the responsibility for risk management, the city hopes to reduce losses by implementing loss control measures, and hold the line on insurance premiums by paying closer attention to coverage criteria. With \$3.6 million spent annually on the city’s risk management program, improved efficiency will offset the increase in administrative costs of the Risk Manager position.

**LINE ITEM DETAIL**

**FUND 660 SAFETY & RISK MANAGEMENT**

Revenues

660	46100	Interest Earned	-10,000	
660	48220	Restitution Pay	-20,000	
660	48370	Reimbursement -	-1,000	
660	48375	Reimb. - Settle	-10,000	
660	48380	Liability- Surc	-54,000	
660	48385	W/C- Surcharge	-53,000	
				-148,000

Expenditures

660	169821788	Director of Ris	80,000	
660	169822456	Hospitalization	15,000	
660	169822461	Employer Portio	5,000	
660	169822462	Employer Portio	2,000	
660	169822467	Life Insurance	1,000	
660	169822610	Employer IMRF	11,000	
660	169822702	IL WC Comm Asse	2,000	
660	169824423	Telephone	1,000	
660	169824429	Conference & Tr	2,000	
660	169824438	Other Professio	25,000	
660	169824503	Insurance Admin	1,000	
660	169924432	Postage	1,000	
660	169924456	Claims Expense	3,560,000	
660	169825466	Gasoline & Oil	1,000	
660	169825480	Miscellaneous E	1,000	
660	169925465	Office Supplies	1,000	
660	169826493	Vehicle	18,000	
660	169826495	Computer Hardwa	5,000	
660	169928418	Contra Claims R	41,000	
660	169928419	Contra Claims E	-3,732,000	
				41,000

**FUND 660 EMPLOYEES' BENEFIT PLAN**

Revenues

680	48305	Hospitalization	-180,000	
680	58100	Employee Contri	-291,784	
680	58110	Employee Contri	-42,544	

680	58150	Employee Contri	-460,256	
680	58160	Employee Contri	-3,655	
680	58200	City Contrib. -	-1,580,125	
680	58210	City Contrib -	-8,215	
680	58300	City Contrib. -	-2,357,519	
680	58310	City Contrib -	-237,786	
680	58350	City Contrib -	-1,397,116	
680	58500	Employer Contri	-118,000	
				-6,677,000

Expenditures

680	189424466	Dental Insuranc	309,000	
680	189424467	Insurance Premi	118,000	
680	189424470	HMO/PPO Premium	6,008,000	
680	189424503	Insurance Admin	62,000	
				6,497,000

**FUND 685 SELF-FUNDED FLEXIBLE SPENDING**

Revenues

685	58507	Medical Saving	-80,000	
685	58560	Dependent Care	-6,000	
				-86,000

Expenditures

685	189524503	Insurance Admin	6,000	
685	189524530	Claims Expense-	80,000	
				86,000
				-287,000