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INTERNAL SERVICE FUNDS OVERVIEW

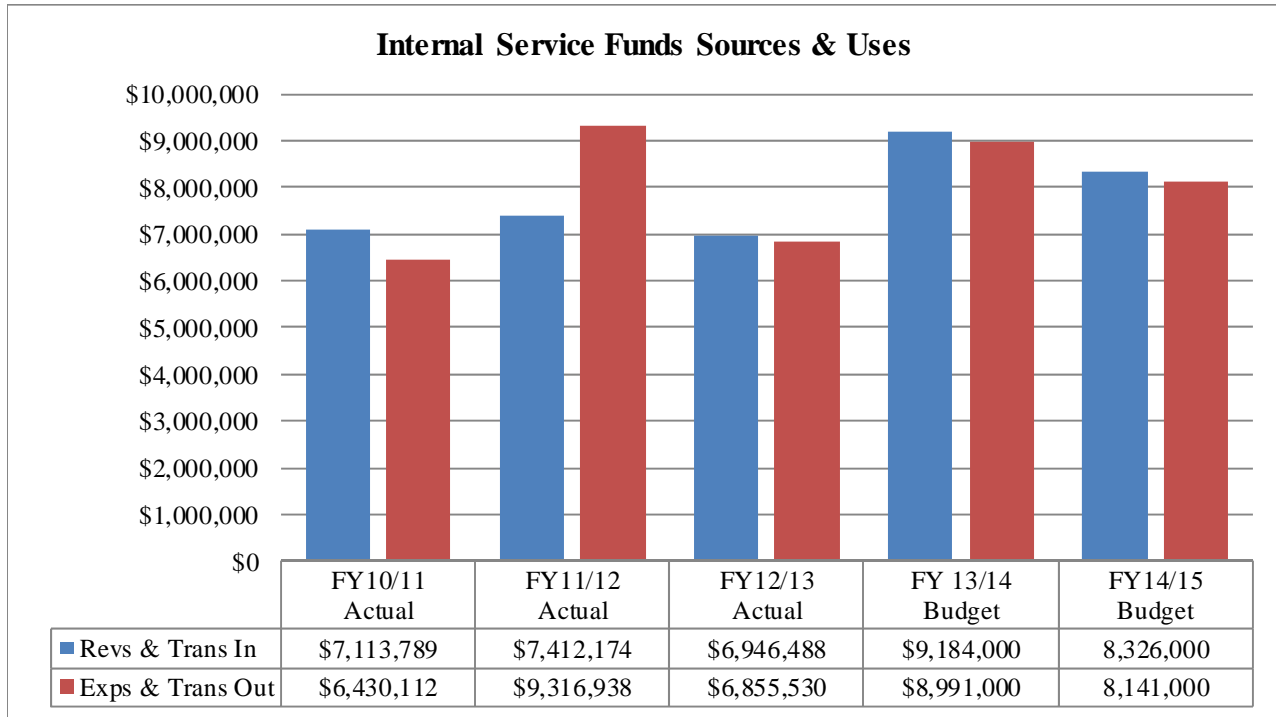
The City maintains internal service funds to process insurance payments before charging those costs back to the generating funds.

The City has various arrangements for medical and dental insurance coverage for all full-time employee groups and retirees. The City’s health insurance plan is 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 related to workers’ compensation, property damage, torts, errors and omissions, et cetera. The financial activity related to these risks are run through the Safety and Risk Management Fund and then charged back to the appropriate departmental budget to recoup those costs.

Sources & Uses of Funds	
Revenues	\$8,326,000
Expenditures	(8,141,000)
Surplus / (Deficit) before transfers	185,000
Transfers-In	0
Transfers-Out	0
Surplus / (Deficit) after transfers	185,000

The premiums collected from employees and the charge-backs to the departments account for the revenues to these funds. These offset the costs of claims with a 5% administrative charge per employee for the medical and dental processing and on worker compensation or general liability claims. In essence, all costs incurred with the insurance programs are fully charged to the generating departments, and defraying the costs associated with managing the programs thereby generating a “wash” at year-end to the books.



Given the currently proposed headcount levels, the City’s share of these expenses for all funds combined is estimated to be \$105 thousand for life insurance and \$7.8 million for employee medical/dental insurance. By eliminating the explicit employer-paid subsidy for retiree health insurance, the City was able to cut over \$300 thousand from the medical insurance budget.

The estimated workers compensation and general liability annually estimated costs of \$2.2 million and \$1.5 million respectively are not appropriated directly into the Safety and Risk Fund as those charges are reversed to the generated funds on a monthly basis. Only administrative surcharges related to the administration of the risk management program will remain as a surplus to the funds at fiscal year-end.

Unreserved fund balances in the Internal Service funds at May 1, 2014 are estimated at a negative \$(5.2) million. Years of underfunding these obligations, insufficient insurance coverage, and payment of large liability claims have driven this fund into an unfavorable financial position. The surcharge on premium and claims processing is intended to correct this imbalance by creating annual surpluses sufficient to address it over a multi-year period.

LINE ITEM DETAIL

INTERNAL SERVICE FUNDS PROPOSED BUDGET MAY 1, 2014 TO APRIL 30, 2015  
REVENUES

		PROPOSED
Fnd 660	SAFETY & RISK MANAGEMENT FUND	
Sub 4800	Miscellaneous Revenue	
660 48380	Liability-5% Surcharge	75,000-
660 48385	W/C-5% Surcharge	110,000-
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Sub 4800	Miscellaneous Revenue	185,000-
Fnd 680	EMPLOYEE'S BENEFIT PLAN FUND	
Sub 4800	Miscellaneous Revenue	
680 48305	Hospitalization - Surcharge	385,000-
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Sub 4800	Miscellaneous Revenue	385,000-
Sub 5800	Premium Contributions	
680 58100	Employee Contrib. - PPO Plan	608,000-
680 58150	Employee Contrib. HMO Plan	608,000-
680 58200	City Contrib. - PPO Plan	3,134,000-
680 58300	City Contrib. - HMO Plan	3,134,000-
680 58500	Employer Contrib. - Life Ins.	105,000-
680 58505	Employee Contrib. - AFLAC	122,000-
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Sub 5800	Premium Contributions	7,711,000-
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Fnd 680	EMPLOYEE'S BENEFIT PLAN FUND	8,096,000-
Fnd 685	SELF FUNDED FLEXIBLE SPENDING	
Sub 5800	Premium Contributions	
685 58507	Medical Saving Employee Contr.	42,000-
685 58560	Dependent Care Employee Contr.	3,000-
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Sub 5800	Premium Contributions	45,000-
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	Report Final Totals	8,326,000-
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INTERNAL SERVICE FUNDS PROPOSED BUDGET MAY 1, 2014 TO APRIL 30, 2015  
EXPENDITURES

PROPOSED

Fnd 680	EMPLOYEE'S BENEFIT PLAN FUND	
Dpt 0100	CENTRAL SERVICES	
Sub 2400	Contractual Services	
680 189324437	Legal Services	2,000
680 189324438	Other Professional Services	25,000
680 189324476	Municipal Audit Expenses	2,000
680 189324503	Insurance Admin. Services	5,000
680 189424464	Assurance Premiums - AFLAC	122,000
680 189424466	Dental Insurance Premiums	135,000
680 189424467	Insurance Premiums - Life	105,000
680 189424470	HMO/PPO Premium Expense	7,700,000
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Sub 2400	Contractual Services	8,096,000
Fnd 685	SELF FUNDED FLEXIBLE SPENDING	
Dpt 0100	CENTRAL SERVICES	
Sub 2400	Contractual Services	
685 189524530	Claims Expense-MSA	45,000
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Sub 2400	Contractual Services	45,000
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Report Final Totals		8,141,000
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