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# INTERNAL SERVICE FUNDS

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May 1, 2015 – April 30, 2016

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PROPOSED BUDGET

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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 and 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.

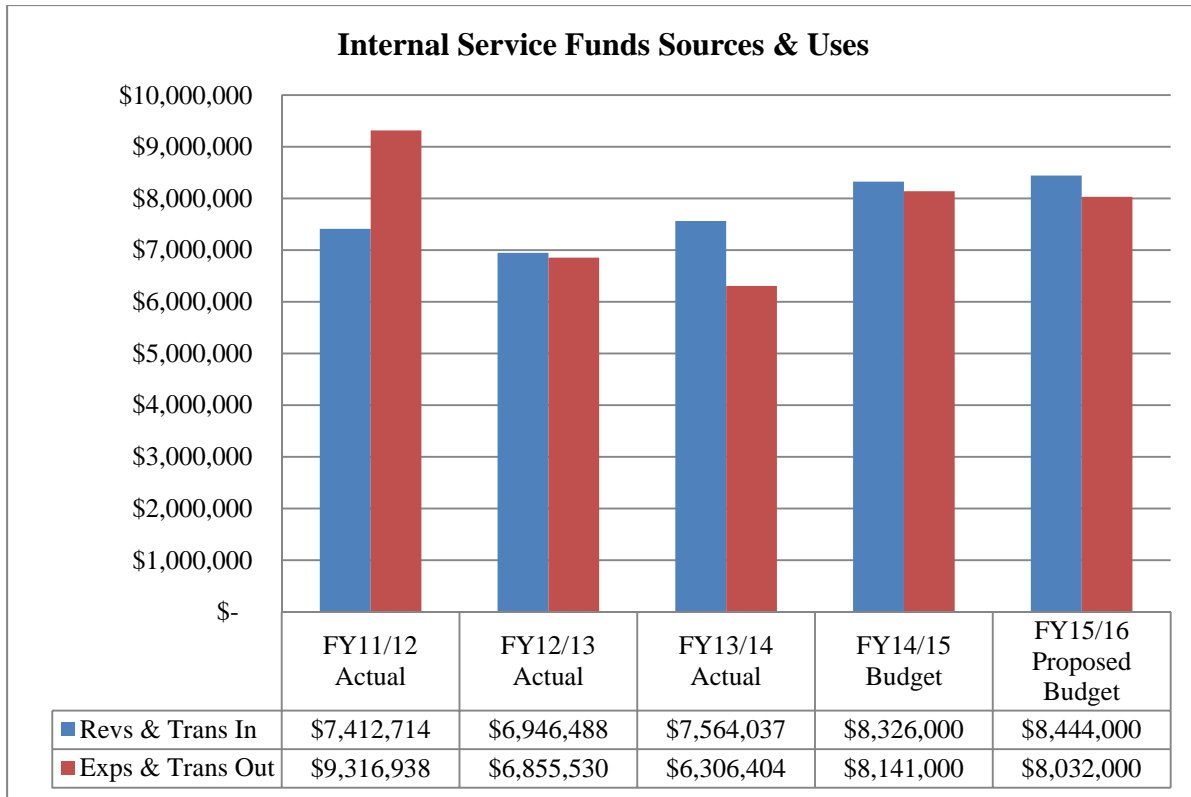
In addition, the City is exposed to various risk of loss related to workers' compensation, property damage, torts, errors and omissions, et cetera. The financial activity related to these risks is run through the Safety and Risk Management Fund and then charged back to the appropriate departmental budget to recoup those costs.

## SOURCES & USES OF FUNDS

The premiums collected from employees, employer contributions and the related charge-backs to the departments account for the revenues to these funds. The administrative charge-backs offset the costs of claims via a charge per employee for the medical and dental processing, and a percentage mark-up on property damage, worker compensation or general liability claims. Expenditures are the payment of employer and employee premiums for the various insurance coverages.

Sources & Uses of Funds	
Revenues	\$8,444,000
Expenditures	-8,032,000
Surplus / (Deficit) before transfers	412,000
Transfers-In	0
Transfers-Out	0
Surplus / (Deficit) after transfers	412,000

The surplus created in the fund via the charge-back system is intended to address, on a long term basis, the balance sheet (structural) deficit of \$(4.6) million as of April 30, 2014, which was created by years of total claims cost not being fully recovered from the generating departments and funds. As shown on the following page, the City began reversing the annual operating deficits in the 2012/2013 fiscal year by implementing this cost allocation practice. 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 small surplus at year-end to the books.



Given the currently proposed headcount levels, the estimated cost for the year is \$107 thousand for life insurance and \$7.7 million for employee medical/dental insurance. The estimated workers compensation and general liability annually estimated costs of \$2.9 million and \$1.2 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 surcharges related to the administration of the risk management program will remain as a surplus to the funds at fiscal year-end. In total, barring any significant claims in excess of the City’s insurance coverage, it is projected that the internal service funds will end with an operating surplus for the prior and current fiscal years, but will maintain a structural deficit for several years into the future.

**LINE ITEM DETAIL**

Revenues

FY 2016  
PROPOSED

Fnd 660	SAFETY & RISK MANAGEMENT FUND	
Sub 4800	Miscellaneous Revenue	
660 48380	Liability-5% Surcharge	100,000-
660 48385	W/C-5% Surcharge	150,000-
		-----
Sub 4800	Miscellaneous Revenue	250,000-
Fnd 680	EMPLOYEE'S BENEFIT PLAN FUND	
Sub 4800	Miscellaneous Revenue	
680 48305	Hospitalization - Surcharge	192,000-
		-----
Sub 4800	Miscellaneous Revenue	192,000-
Sub 5800	Premium Contributions	
680 58100	Employee Contrib. - PPO Plan	596,000-
680 58150	Employee Contrib. HMO Plan	596,000-
680 58200	City Contrib. - PPO Plan	3,259,000-
680 58300	City Contrib. - HMO Plan	3,259,000-
680 58500	Employer Contrib. - Life Ins.	107,000-
680 58505	Employee Contrib. - AFLAC	125,000-
		-----
Sub 5800	Premium Contributions	7,942,000-
		-----
Fnd 680	EMPLOYEE'S BENEFIT PLAN FUND	8,134,000-
Fnd 685	SELF FUNDED FLEXIBLE SPENDING	
Sub 5800	Premium Contributions	
685 58507	Medical Saving Employee Contr.	50,000-
685 58560	Dependent Care Employee Contr.	10,000-
		-----
Sub 5800	Premium Contributions	60,000-
		-----
	Report Final Totals	8,444,000-
		=====

Expenses

FY 2016  
PROPOSED

Fnd 660	SAFETY & RISK MANAGEMENT FUND	
Sub 2400	Contractual Services	
660 169824503	Insurance Admin. Services	25,000
660 169924429	Conference & Travel	5,000
		-----
Sub 2400	Contractual Services	30,000
Fnd 680	EMPLOYEE'S BENEFIT PLAN FUND	
Sub 2400	Contractual Services	
680 189424464	Assurance Premiums - AFLAC	125,000
680 189424467	Insurance Premiums - Life	107,000
680 189424470	HMO/PPO Premium Expense	7,710,000
		-----
Sub 2400	Contractual Services	7,942,000
Fnd 685	SELF FUNDED FLEXIBLE SPENDING	
Sub 2400	Contractual Services	
685 189524530	Claims Expense-MSA	60,000
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Sub 2400	Contractual Services	60,000
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	Report Final Totals	8,032,000
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