

# **Internal Service Funds**



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# General Liability - Self Insurance Program

The City's various property and casualty insurance programs are consolidated into one Internal Service Fund for General Liability. 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;
- Cyber Liability;
- Drones;
- Deadly Weapon incidents; 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 is self-insured for General and Automotive Liability for the first \$750,000. The internal charges that fund the internal service fund have been increased to \$3,645,000 for FY 23 based off of the City's most recent actuarial valuation. The third party biennial valuation provides the City with a range of recommendations on the appropriate level of funding for the program. The City will fund the program at the 80% confidence level in the upcoming fiscal year. We are currently coming out of what has been described as the worst "hard market" since the mid-1980s. A "hard market" is characterized by increases in premium, changes in the terms of insurance contracts that are unfavorable to purchasers of insurance and a lack of capacity in the market. Additionally, there are loss-driven pressures, especially for public agencies in California, as jury awards have been increasing at an alarming rate. As a result the general liability program and property insurance program have seen significant increases in premiums over the last several years.

The costs for this program are allocated to departments through internal service charges based on their total payroll.



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City of Vacaville  
 FY 2022-2023 Budget

GENERAL LIABILITY SELF-INSURANCE  
 INTERNAL SERVICE FUND

	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Estimated End of Year	FY 2022/23 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance <i>(working capital)</i>	\$ 2,226,290	\$ 1,565,136	\$ 1,701,949	\$ 1,273,156
Internal Charges	1,386,625	2,298,220	2,480,106	3,645,000
<b>Total Resources:</b>	<b>\$ 3,612,915</b>	<b>\$ 3,863,356</b>	<b>\$ 4,182,055</b>	<b>\$ 4,918,156</b>
<b>Uses:</b>				
Pooled and Excess Insurance Costs	\$763,395	\$952,594	\$1,945,686	\$2,083,391
Transfer to Workers Comp Fund	-	-	-	-
Claims Administration	359,866	\$346,172	\$365,572	\$397,636
Claims Losses	924,518	862,641	597,641	825,000
<b>Total Uses:</b>	<b>\$ 2,047,779</b>	<b>\$ 2,161,407</b>	<b>\$ 2,908,898</b>	<b>\$ 3,306,027</b>
<b>Projected Ending Balance:</b>	<b>\$ 1,565,136</b>	<b>\$ 1,701,949</b>	<b>\$ 1,273,156</b>	<b>\$ 1,612,129</b>



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# Workers' Compensation - Self Insurance Program

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 internal charges that fund the internal service fund have been increased to \$3,155,958 for FY 22/23 based off of the City's most recent actuarial valuation. The third party biennial valuation provides the City with a range of recommendations on the appropriate level of funding for the program. Similar to the General Liability Self Insurance Program, the City will fund the Worker's Compensation Self-Insurance Program at the 80% confidence level in the upcoming fiscal year. The costs incurred for this program are allocated to departments through internal service charges based on their total payroll.

Workers' comp charges are based on a percentage of salary. For FY 22/23, workers' comp charges range from 2.5% - 8% of salary, depending on job classification, averaging about 4% of payroll.



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City of Vacaville  
 FY 2022-2023 Budget

WORKERS COMPENSATION  
 INTERNAL SERVICE FUND

	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Estimated End of Year	FY 2022/23 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance <i>(working capital)</i>	\$ 4,282,990	\$ 4,603,130	\$ 5,374,401	\$ 5,144,516
Internal Charges	2,445,077	2,906,927	2,723,833	3,155,958
Transfer from General Liability	-	-	-	-
<b>Total Resources:</b>	<b>\$ 6,728,067</b>	<b>\$ 7,510,057</b>	<b>\$ 8,098,234</b>	<b>\$ 8,300,474</b>
<b>Uses:</b>				
Pooled and Excess Insurance Costs	\$ 679,015	\$ 723,649	\$ 1,027,036	\$ 859,813
Claims Administration	724,856	707,145	759,378	846,930
Benefit Payments	721,066	704,862	1,167,305	900,000
<b>Total Uses:</b>	<b>\$ 2,124,937</b>	<b>\$ 2,135,656</b>	<b>\$ 2,953,718</b>	<b>\$ 2,606,743</b>
<b>Projected Ending Balance:</b>	<b>\$ 4,603,130</b>	<b>\$ 5,374,401</b>	<b>\$ 5,144,516</b>	<b>\$ 5,693,731</b>



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# Retiree and Other Benefits

This fund is used to account for three types of expenses per existing labor agreements: (1) retiree medical insurance benefits, (2) payment of accrued and vested leave balances to employees who are retiring or otherwise leaving City employment, and (3) payment of accrued compensated absences for active employees. In addition, a budgeted amount for citywide unemployment costs is included, as needed. 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 increases in health care premiums and a growing retiree population. Over the last two years specifically, payments have increased dramatically as vacation and sick leave balances increased during the pandemic as many employees deferred using these compensated absences. As a result, the internal charges (funding) for this internal service fund will be increased in the upcoming fiscal year in anticipation of further payments of leave balances and to replenish the fund.

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. Under a policy adopted by the City Council, contributions to the Other Post Employment Benefits (OPEB) liability will be made in an amount equal to or greater than the annual Actuarially Determined Contribution (ADC).



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**City of Vacaville  
FY 2022-2023 Budget**

**RETIREE AND OTHER BENEFITS  
INTERNAL SERVICE FUND**

	<b>FY 2019/20 Actual</b>	<b>FY 2020/21 Actual</b>	<b>FY 2021/22 Estimated End of Year</b>	<b>FY 2022/23 Proposed Budget</b>
<b>Resources:</b>				
Projected Beginning Balance	\$ 1,881,400	\$ 43,186	\$ 387,551	\$ 269,590
Internal Charges - Retiree	4,638,146	6,613,087	6,117,756	7,925,000
Internal Charges - Current	448,204	750,000	750,000	2,000,000
OPEB - Employees/Retirees	424,314	400,385	370,702	400,000
OPEB - City	4,503,308	4,015,947	2,114,959	1,000,000
Interest	7,378	13,112	4,562	-
<b>Total Resources:</b>	<b>\$ 11,902,750</b>	<b>\$ 11,835,717</b>	<b>\$ 9,745,530</b>	<b>\$ 11,594,590</b>
<b>Uses:</b>				
Retiree Medical Premiums	\$ 5,408,841	\$ 5,558,184	\$ 6,015,540	\$ 6,300,000
Transfer to PERS OPEB Trust Fund	4,915,000	4,048,000	1,252,500	1,400,000
Payments for Accrued Leave Balances	607,670	639,306	1,049,549	1,600,000
Payments for Current Leave	741,938	1,187,799	1,157,308	2,000,000
Unemployment	186,115	14,877	1,043	25,000
<b>Total Uses:</b>	<b>\$ 11,859,564</b>	<b>\$ 11,448,166</b>	<b>\$ 9,475,940</b>	<b>\$ 11,325,000</b>
<b>Projected Ending Balance:</b>	<b>\$ 43,186</b>	<b>\$ 387,551</b>	<b>\$ 269,590</b>	<b>\$ 269,590</b>



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# Printer/Copier Internal Service Fund

The City has a large fleet of printers and copiers throughout its operations. Copiers are leased from Ricoh, while printers are purchased. A management contract with Ricoh includes the lease costs, print costs based on our usage, and labor to maintain the machines. The copiers were refreshed with new models in FY17/18. The printer fleet has historically included a wide variety of models ranging from new to over 15 years old. Parts are difficult to find to repair the older models, and a large inventory of supplies is necessary to maintain that many different types of machines. The purpose of this ISF is to standardize the fleet and simplify the types of supplies needed. A small set of printer models was selected that would meet the various operational needs throughout the City. Those model choices are updated, as appropriate, over time. A five-year replacement cycle has been established and funds are collected from each department to replace the machines as they come due, similar to the tech fund replacement of computers. This ISF also includes the cost of the management contract with Ricoh.



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City of Vacaville  
 FY 2022-2023 Budget

PRINTER/COPIER  
 INTERNAL SERVICE FUND

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23
	Actual	Actual	Estimated End of Year	Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance	\$ 64,975	\$ 67,270	\$ 72,562	\$ 25,929
Internal Service Charges	214,769	215,582	215,358	244,000
<b>Total Resources:</b>	<b>\$ 279,744</b>	<b>\$ 282,852</b>	<b>\$ 287,920</b>	<b>\$ 269,929</b>
<b>Uses:</b>				
Base Management Fee	\$ 212,474	\$ 210,290	\$ 261,991	\$ 238,419
<b>Total Uses:</b>	<b>\$ 212,474</b>	<b>\$ 210,290</b>	<b>\$ 261,991</b>	<b>\$ 238,419</b>
<b>Projected Ending Balance:</b>	<b>\$ 67,270</b>	<b>\$ 72,562</b>	<b>\$ 25,929</b>	<b>\$ 31,510</b>



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# Technology Replacement Fund

Information technology is 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.

Servers and desktop computers (based on a 4-year lifespan), network devices, video surveillance, VoIP, and software licensing for citywide applications are included in this fund. 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 the number of desktop computers and the applications that reside on each server. These allocations were temporarily reduced in FY20/21 by approximately \$595,690 as a one-time cost savings measure due to the fiscal uncertainty of the pandemic. Full annual funding of this internal service fund was reestablished in FY 21/22 to the tune of \$1.97 million. The proposed FY 22/23 budget continues this level of funding at \$2 million as spending is expected to increase as the City implements its Technology Strategic Plan in the coming years.



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City of Vacaville  
 FY 2022-2023 Budget

TECHNOLOGY REPLACEMENT  
 INTERNAL SERVICE FUND

	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Estimated End of Year	FY 2022/23 Proposed Budget
<b>Resources:</b>				
Internal Service Charges	1,561,846	956,185	1,973,578	2,000,000
<b>Total Resources:</b>	<b>\$ 1,561,846</b>	<b>\$ 956,185</b>	<b>\$ 1,973,578</b>	<b>\$ 2,000,000</b>
<b>Uses:</b>				
Server Replacement	\$ 103,448	\$ 621,038	\$ 100,000	\$ 156,000
PC Replacement	126,851	124,984	240,035	357,818
Network Device Replacement	130,642	815,649	11,017	107,500
Software Licensing	697,213	657,209	1,083,419	950,118
Services & Non Capital Computer Eq	165,440	239,490	180,107	349,092
Equipment Maintenance Agreements	71,161	38,331	30,000	15,908
<b>Total Uses:</b>	<b>\$ 1,294,755</b>	<b>\$ 2,496,701</b>	<b>\$ 1,644,578</b>	<b>\$ 1,936,436</b>

**FUND BALANCE (working capital)**

<b>Projected Beginning Balance</b>	<b>\$ 1,811,602</b>	<b>\$ 2,078,693</b>	<b>\$ 538,177</b>	<b>\$ 867,176</b>
Internal Service Charges	\$ 1,561,846	\$ 956,185	\$ 1,973,578	\$ 2,000,000
Sale of Property	-	-	-	-
<b>Total Resources</b>	<b>\$ 3,373,448</b>	<b>\$ 3,034,878</b>	<b>\$ 2,511,754</b>	<b>\$ 2,867,176</b>
Expenditures	\$ 1,073,859	\$ 2,252,482	\$ 1,644,578	\$ 1,936,436
Capitalization of Assets	215,824	244,219	-	-
Transfer out	5,072	-	-	-
<b>Total Uses:</b>	<b>\$ 1,294,755</b>	<b>\$ 2,496,701</b>	<b>\$ 1,644,578</b>	<b>\$ 1,936,436</b>
<b>Projected Ending Balance</b>	<b>\$ 2,078,693</b>	<b>\$ 538,177</b>	<b>\$ 867,176</b>	<b>\$ 930,740</b>



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# Central Garage, Stores, and Fuel Station

Central Garage services for City vehicles and equipment are provided through the Public Works Department. Departments are charged for actual work performed on their vehicles, on a time and materials basis. As of January 1, 2020 the garage charge-out rate increased by \$5 from \$100 to \$105 per hour. A mark-up on parts and outside services is also assessed to partially cover overhead costs. In FY19/20, an annual assessment of a fixed overhead amount was allocated based on three-year work order histories to fully recover the costs of the service provided and eliminate the negative fund balance which had existed for years. Since the implementation of the overhead charge, the internal service fund has maintained a positive fund balance. A fuel and compressed natural gas (CNG) station is also operated at the Central Garage.

The activity of the City's Central Store services; purchase and consumption of inventory such as paper, sanitizer, and utility parts; are also tracked in this internal service fund



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City of Vacaville  
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CENTRAL GARAGE & FUEL STATION  
 INTERNAL SERVICE FUND

	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Estimated End of Year	FY 2022/23 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance <i>(working capital)</i>	\$ (330,827)	\$ 52,123	\$ 266,065	\$ 660,410
Internal Service Charges, Garage	3,054,063	3,063,913	3,295,390	3,575,000
Internal Service Charges, Fuel/CNG/SID	645,262	949,114	1,202,514	1,255,510
Internal Service Charges, Central Stores	223,087	184,906	240,785	226,372
Other Revenue	310,653	1,561	3,390	-
<b>Total Resources:</b>	<b>\$ 3,902,238</b>	<b>\$ 4,251,617</b>	<b>\$ 5,008,143</b>	<b>\$ 5,717,292</b>
<b>Uses:</b>				
Salaries and Benefits	\$ 1,018,535	\$ 1,245,725	\$ 1,294,889	\$ 1,502,898
Sublet Costs - Garage	1,116,170	975,329	978,124	1,276,256
Vehicle Parts - Garage	457,364	506,617	445,140	508,526
Garage Supplies/Overhead	217,637	276,456	324,838	285,903
Fuel Station Supplies/Overhead	814,574	795,646	1,041,054	1,255,510
Central Stores Supplies/Overhead	225,835	185,779	263,689	226,372
<b>Total Uses:</b>	<b>\$ 3,850,115</b>	<b>\$ 3,985,552</b>	<b>\$ 4,347,733</b>	<b>\$ 5,055,465</b>
<b>Projected Ending Balance:</b>	<b>\$ 52,123</b>	<b>\$ 266,065</b>	<b>\$ 660,410</b>	<b>\$ 661,827</b>



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# 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. The purchase plan for these funds centers on replacing those units which meet certain criteria based on mileage, years of use, and maintenance costs. Balances are tracked by the contributing funding source.

Historically, the budget includes a total transfer of \$2,280,000 from the General Fund and Measure M to the equipment replacement fund. Of that transfer, \$2,000,000 is Measure M funding with the remaining \$280,000 coming from General Fund. Due to the fiscal uncertainty as a result of the COVID 19 pandemic that began March 2020, the \$280,000 contribution from the General Fund was eliminated as a cost-savings measure in FY 2020/21. This funding level was restored the following fiscal year, FY 2021/22. Compared to prior fiscal years, the ending fund balance for FY 2021/22 is expected to increase as spending is anticipated to end the year lower due to the inventory and supply chain issues experienced around the world.



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City of Vacaville  
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VEHICLE & EQUIPMENT REPLACEMENT  
 INTERNAL SERVICE FUND

	FY 2019/20 Actual	FY 2020/21 Actual	FY 2021/22 Estimated End of Year	FY 2022/23 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance <i>(working capital)</i>	\$ 2,574,142	\$ 3,416,288	\$ 2,613,323	\$ 4,132,578
Operating Transfer from General Fund	2,776,690	2,016,000	2,280,048	2,300,000
Sale of Property	69,004	31,197	121,847	-
Capital Lease/Debt Proceeds	619,553	-	768,000	-
Interest Revenue	-	38,373	26,017	-
Internal Service Charges, Non-General Fund	338,915	495,911	487,444	392,000
<b>Total Resources:</b>	<b>\$ 6,378,304</b>	<b>\$ 5,997,769</b>	<b>\$ 6,296,679</b>	<b>\$ 6,824,578</b>
<b>Uses:</b>				
Vehicles, General Fund	\$ 1,578,714	\$ 2,872,112	\$ 1,139,551	\$ 2,246,563
Transfers Out GF			275,000	
Vehicles, Non-GF	1,008,190	105,267	337,220	467,000
Debt Service Payments	375,112	407,067	412,329	411,854
<b>Total Uses:</b>	<b>\$ 2,962,016</b>	<b>\$ 3,384,446</b>	<b>\$ 2,164,101</b>	<b>\$ 3,125,417</b>
<b>Projected Ending Balance:</b>	<b>\$ 3,416,288</b>	<b>\$ 2,613,323</b>	<b>\$ 4,132,578</b>	<b>\$ 3,699,161</b>



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