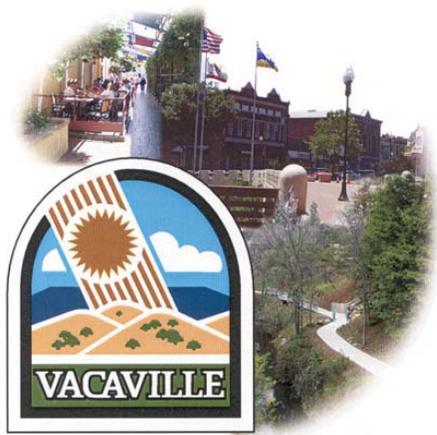


# INTERNAL SERVICE FUNDS



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## 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 09-10, 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:

	<b>Estimated 6/30/09</b>	<b>Estimated 6/30/2010</b>
<b>Long Term Claims Liability:</b>		
Workers' Compensation	\$ 4,817,000	\$ 4,817,000
General Liability	\$ 864,000	\$ 864,000
Total Long Term Liabilities	\$ 5,681,000	\$ 5,681,000
<b>Reserve Funding:</b>		
Workers' Compensation	\$ 2,914,730	\$ 2,528,248
General Liability	\$ 645,201	\$ 1,041,443
Total Reserve Funding	\$ 3,559,931	\$ 3,566,691
<b>Percent Funded:</b>	63%	63%

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.



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**City of Vacaville  
FY 2009-2010 Budget**

**GENERAL LIABILITY SELF-INSURANCE  
INTERNAL SERVICE FUND**

	<b>2006/07 Actual</b>	<b>2007/08 Actual</b>	<b>2008/09 Adopted Budget</b>	<b>2009/10 Proposed Budget</b>
<b>Resources:</b>				
Projected Beginning Balance <i>(working capital)</i>	\$2,305,161	\$2,385,609	\$1,001,617	\$757,513
Internal Charges	1,101,666	1,118,877	1,440,000	1,018,292
Other Revenue	0	0	0	1,000,000
<b>Total Resources:</b>	<b>\$3,406,827</b>	<b>\$3,504,486</b>	<b>\$2,441,617</b>	<b>\$2,775,805</b>
<b>Uses:</b>				
Pooled and Excess Insurance Costs	\$587,502	\$437,772	\$601,325	\$486,643
Transfer to Retiree Medical	0	500,000	500,000	0
Transfer to Restricted General Fund	0	800,000	0	0
Claims Administration	339,178	462,524	295,091	251,908
Claims Losses	94,538	302,572	400,000	993,000
<b>Total Uses:</b>	<b>\$1,021,218</b>	<b>\$2,502,868</b>	<b>\$1,796,416</b>	<b>\$1,731,551</b>
<b>Projected Ending Balance:</b>	<b>\$2,385,609</b>	<b>\$1,001,617</b>	<b>\$645,201</b>	<b>\$1,044,254</b>



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**City of Vacaville  
FY 2009-2010 Budget**

**WORKERS COMPENSATION  
INTERNAL SERVICE FUND**

	<b>2006/07 Actual</b>	<b>2007/08 Actual</b>	<b>2008/09 Adopted Budget</b>	<b>2009/10 Proposed Budget</b>
<b>Resources:</b>				
Projected Beginning Balance <i>(working capital)</i>	\$3,007,265	\$3,603,699	\$3,252,086	\$3,021,563
Internal Charges	2,679,667	2,517,328	2,455,750	2,275,063
<b>Total Resources:</b>	<b>\$5,686,932</b>	<b>\$6,121,027</b>	<b>\$5,707,836</b>	<b>\$5,296,626</b>
<b>Uses:</b>				
Pooled and Excess Insurance Costs	\$353,400	\$575,388	\$406,587	\$374,061
Claims Administration	262,451	794,955	560,519	491,317
Benefit Payments	867,382	498,598	1,326,000	1,403,000
Transfer to General Fund	0	1,000,000	500,000	500,000
Transfer to Retiree Benefits Fund	600,000	0	0	0
<b>Total Uses:</b>	<b>\$2,083,233</b>	<b>\$2,868,941</b>	<b>\$2,793,106</b>	<b>\$2,768,378</b>
<b>Projected Ending Balance:</b>	<b>\$3,603,699</b>	<b>\$3,252,086</b>	<b>\$2,914,730</b>	<b>\$2,528,248</b>

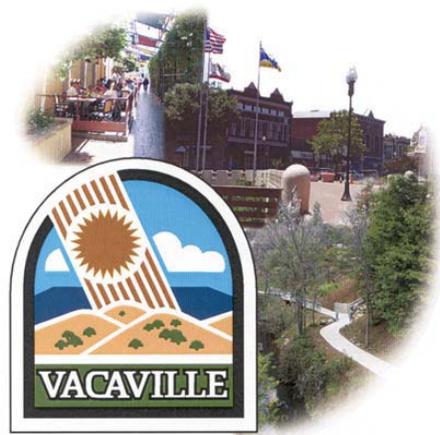


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## **RETIREE BENEFITS**

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 09/10, the internal service charge has been increased to 8% 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 comes from the General Fund. This set aside amount will have to increase in the future to fully implement the pre-funding plan.

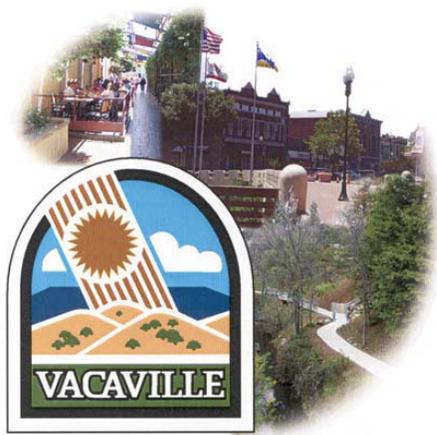


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**City of Vacaville  
FY 2009-2010 Budget**

**RETIREE BENEFITS  
INTERNAL SERVICE FUND**

	<b>2006/07 Actual</b>	<b>2007/08 Actual</b>	<b>2008/09 Adopted Budget</b>	<b>2009/10 Proposed Budget</b>
<b>Resources:</b>				
Projected Beginning Balance	\$1,109,907	\$1,551,748	\$405,548	\$895,934
Transfer from Insurance Reserve Funds	0	0	500,000	800,000
Internal Charges	2,983,327	1,333,367	4,004,529	4,717,199
<b>Total Resources:</b>	<b>\$4,093,234</b>	<b>\$2,885,115</b>	<b>\$4,910,077</b>	<b>\$6,413,133</b>
<b>Uses:</b>				
Retiree Medical Premiums	\$1,988,611	\$2,274,476	\$2,688,351	\$2,928,404
Retiree Medical Setaside	0	0	800,000	800,000
Payments for Accrued Leave Balances	552,875	205,091	525,792	1,000,000
<b>Total Uses:</b>	<b>\$2,541,486</b>	<b>\$2,479,567</b>	<b>\$4,014,143</b>	<b>\$4,728,404</b>
<b>Projected Ending Balance:</b>	<b>\$1,551,748</b>	<b>\$405,548</b>	<b>\$895,934</b>	<b>\$1,684,729</b>



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## **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 a projected increase in the cost of fuel supplies.

Operations will be reviewed in the coming year for efficiencies and cost reductions to mitigate the deficit spending in the fund.

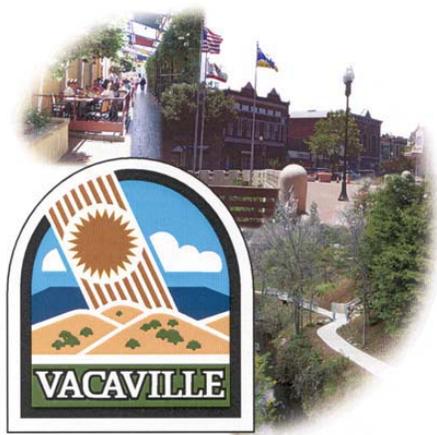


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City of Vacaville  
 FY 2009-2010 Budget

CENTRAL GARAGE & FUEL STATION  
 INTERNAL SERVICE FUND

	2006/07 Actual	2007/08 Actual	2008/09 Adopted Budget	2009/10 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance <i>(working capital)</i>	\$58,669	\$49,782	(\$28,658)	(\$28,658)
Internal Service Charges, Garage	1,557,845	1,559,300	1,827,935	1,445,387
Internal Service Charges, Fuel/CNG Station/SID	946,756	1,188,700	989,598	1,054,769
<b>Total Resources:</b>	<b>\$2,563,270</b>	<b>\$2,797,782</b>	<b>\$2,788,875</b>	<b>\$2,471,498</b>
<b>Uses:</b>				
Salaries and Benefits	\$754,317	\$879,238	\$949,819	996,713
Sublet Costs - Garage	292,429	300,548	314,339	275,000
Vehicle Parts - Garage	369,455	350,716	356,075	360,000
Garage Supplies and Overhead	135,696	123,451	176,472	180,771
Fuel Station Supplies and Overhead	961,591	1,172,487	1,020,828	1,103,458
<b>Total Uses:</b>	<b>\$2,513,488</b>	<b>\$2,826,440</b>	<b>\$2,817,533</b>	<b>\$2,915,942</b>
<b>Projected Ending Balance:</b>	<b>\$49,782</b>	<b>(\$28,658)</b>	<b>(\$28,658)</b>	<b>(\$444,444)</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. Excluded are 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.



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**City of Vacaville  
FY 2009-2010 Budget**

**VEHICLE & EQUIPMENT REPLACEMENT  
INTERNAL SERVICE FUND**

	<b>2006/07 Actual</b>	<b>2007/08 Actual</b>	<b>2008/09 Adopted Budget</b>	<b>2009/10 Proposed Budget **</b>
<b>Resources:</b>				
Projected Beginning Balance ( <i>working capital</i> )	\$2,281,477	\$2,430,975	\$2,268,328	\$2,238,476
Operating Transfer from General Fund	300,000	300,000	0	0
Internal Service Charges, Water	98,650	83,101	83,101	83,102
Internal Service Charges, Sewer	111,942	111,942	111,942	111,942
Internal Service Charges, Engineering Services	0	0	0	0
Internal Service Charges, Building Related	9,690	0	0	0
Internal Service Charges, L&L Districts	102,469	97,852	97,605	97,606
<b>Total Resources:</b>	<b>\$2,904,228</b>	<b>\$3,023,870</b>	<b>\$2,560,976</b>	<b>\$2,531,126</b>
<b>Uses:</b>				
Vehicles, General Fund	\$300,000	\$299,010	\$300,000	\$200,000
Vehicles, Water	85,122	147,374	0	0
Vehicles, Sewer	88,129	24,950	22,500	254,000
Vehicles, Engineering Services	0	77,317	0	0
Vehicles, Building Related	0	(1,215)	0	0
Vehicles, L&L Districts	0	208,105	0	0
<b>Total Uses:</b>	<b>\$473,251</b>	<b>\$755,541</b>	<b>\$322,500</b>	<b>\$454,000</b>
<b>Projected Ending Balance:</b>	<b>\$2,430,975</b>	<b>\$2,268,328</b>	<b>\$2,238,476</b>	<b>\$2,077,126</b>

\*\* FY 09/10 equipment replacement to be determined.

Note: Balances are tracked by individual fund.



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## **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 5 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 fund budget for FY 09/10 includes ten additional Toughbooks purchased under a grant to the Fire Department. The beginning fund balance for FY09/10 will be approximately \$430,000. 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.

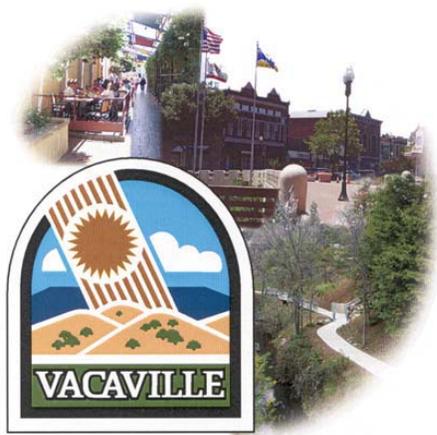


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**City of Vacaville  
FY 2009-2010 Budget**

**TECHNOLOGY REPLACEMENT  
INTERNAL SERVICE FUND**

	<b>2006/07 Actual</b>	<b>2007/08 Actual</b>	<b>2008/09 Adopted Budget</b>	<b>2009/10 Proposed Budget</b>
<b>Resources:</b>				
Projected Beginning Balance <i>(working capital)</i>	\$363,342	\$396,885	\$421,483	\$421,483
Internal Service Charges	730,518	696,841	957,724	854,756
<b>Total Resources:</b>	<b>\$1,093,860</b>	<b>\$1,093,726</b>	<b>\$1,379,207</b>	<b>\$1,276,239</b>
<b>Uses:</b>				
Server Replacement	\$0	\$0	\$137,977	\$112,290
PC Replacement	71,604	149,897	241,076	187,941
Network Device Replacement	121,912	32,743	79,979	105,721
Software Licensing	320,501	383,922	439,987	388,702
Services & Non Capital Computer Equipment	182,958	105,681	58,705	60,102
<b>Total Uses:</b>	<b>\$696,975</b>	<b>\$672,243</b>	<b>\$957,724</b>	<b>\$854,756</b>
<b>Projected Ending Balance:</b>	<b>\$396,885</b>	<b>\$421,483</b>	<b>\$421,483</b>	<b>\$421,483</b>



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City of Vacaville  
 FY 2009-2010 Budget

EQUIPMENT CAPITAL LEASE OBLIGATIONS

FY Beg	Equipment	Funding Source	Term	Payments				
				2009	2010	2011	2012	Thereafter
FY 05/06	2 - FD Engines	General Fund	10 yrs	83,949	83,949	83,949	83,949	167,898
FY 06/07	Ladder Truck	General Fund	10 yrs	117,503	117,503	117,503	117,503	352,509
	Brush Unit/Explr Equip	General Fund		28,286	28,286	28,286	28,286	84,858
	Backhoe	General Fund		15,324	15,324	15,324	15,324	45,972
	Water Truck	Sewer		8,480	8,480	8,480	8,480	25,440
FY 07/08	Brush Unit	Fire DIF	10 yrs	17,973	17,973	17,973	17,973	53,919
	Asphalt Grinder	Gas Tax		43,735	43,735	43,735	43,735	131,205
	Backhoe	Sewer Equip Rplcmnt		10,664	10,664	10,664	10,664	31,992
	Dump Truck	Water Equip Rplcmnt		11,144	11,144	11,144	11,144	33,432
	4-Yard Loader	Water & Sewer Equip Rplcmnt; Gen Fund		25,163	25,163	25,163	25,163	75,489
	30-Ton Trailer	Water Equip Rplcmnt		3,235	3,235	3,235	3,235	9,705
Annual Totals Through FY 07/08				\$ 365,456	\$ 365,456	\$ 365,456	\$ 365,456	\$ 1,012,419
FY 08/09	Flusher Truck	Water & Sewer Equip Rplcmnt	10 yrs	\$24,312	\$24,312	\$24,312	\$24,312	\$97,248
	Asphalt Patch Truck	Gas Tax		23,949	23,949	23,949	23,949	95,796
	15" Brush Chipper	Gas Tax		5,020	5,020	5,020	5,020	20,080
	Utility Vacuum Sys Trailer	Water Major Rplcmnt & Repairs		3,925	3,925	3,925	3,925	15,700
Annual Totals through FY 08/09				\$ 422,662	\$ 422,662	\$ 422,662	\$ 422,662	\$ 1,241,243



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