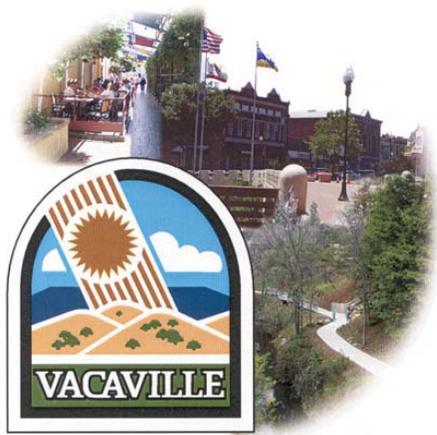


# INTERNAL SERVICE FUNDS



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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 10-11, workers' comp charges range from 2% - 7% of salary, depending on job classification, averaging about 4% of payroll.

Data on reserve funding and estimated long-term liabilities are shown below:

	Estimated 6/30/2010	Estimated 6/30/2011
<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	\$ 2,295,136	\$ 2,155,584
General Liability	\$ 889,434	\$ 1,063,316
Total Reserve Funding	\$ 3,184,570	\$ 3,218,900
<b>Percent Funded:</b>	56%	57%

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 2010-2011 Budget

GENERAL LIABILITY SELF-INSURANCE  
 INTERNAL SERVICE FUND

	2007/08 Actual	2008/09 Actual	2009/10 Adopted Budget	2010/11 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance ( <i>working capital</i> )	\$2,385,609	\$1,001,617	\$757,513	\$889,434
Internal Charges	1,118,877	1,119,402	1,018,292	1,408,392
Other Revenue	0	2,086	1,000,000	0
<b>Total Resources:</b>	<b>\$3,504,486</b>	<b>\$2,121,019</b>	<b>\$2,775,805</b>	<b>\$2,297,826</b>
<b>Uses:</b>				
Pooled and Excess Insurance Costs	\$437,772	\$478,516	\$486,643	\$422,000
Transfer to Retiree Medical	500,000	0	0	0
Transfer to Restricted General Fund	800,000	0	0	0
Claims Administration	462,524	268,520	251,908	312,510
Claims Losses	302,572	740,360	993,000	500,000
<b>Total Uses:</b>	<b>\$2,502,868</b>	<b>\$1,487,396</b>	<b>\$1,731,551</b>	<b>\$1,234,510</b>
<b>Projected Ending Balance:</b>	<b>\$1,001,617</b>	<b>\$633,623</b>	<b>\$1,044,254</b>	<b>\$1,063,316</b>



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City of Vacaville  
 FY 2010-2011 Budget

WORKERS COMPENSATION  
 INTERNAL SERVICE FUND

	2007/08 Actual	2008/09 Actual	2009/10 Adopted Budget	2010/11 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance ( <i>working capital</i> )	\$3,603,699	\$3,469,806	\$3,021,563	\$2,295,136
Internal Charges	2,517,328	2,541,632	2,275,063	2,005,356
<b>Total Resources:</b>	<b>\$6,121,027</b>	<b>\$6,011,438</b>	<b>\$5,296,626</b>	<b>\$4,300,492</b>
<b>Uses:</b>				
Pooled and Excess Insurance Costs	\$575,388	\$387,684	\$374,061	\$339,389
Claims Administration	794,955	446,592	491,317	505,519
Benefit Payments	498,598	829,635	1,403,000	1,300,000
Transfer to General Fund	1,000,000	500,000	500,000	0
Transfer to Retiree Benefits Fund	0	500,000	0	0
<b>Total Uses:</b>	<b>\$2,868,941</b>	<b>\$2,663,911</b>	<b>\$2,768,378</b>	<b>\$2,144,908</b>
<b>Projected Ending Balance:</b>	<b>\$3,252,086</b>	<b>\$3,347,527</b>	<b>\$2,528,248</b>	<b>\$2,155,584</b>

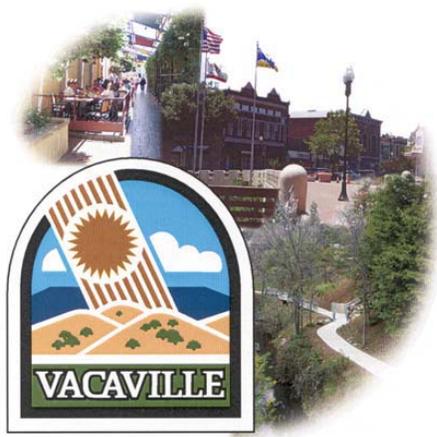


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## **RETIREE BENEFITS**

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 10/11, the internal service charge has been increased to 9% 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 is from the General Fund. This set aside amount will have to increase in the future to fully implement the pre-funding plan. For FY 10/11, the General Fund setaside portion has been suspended.

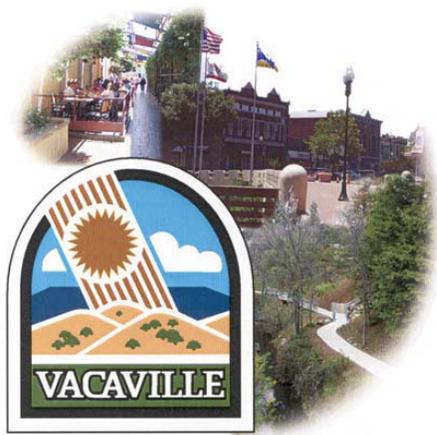


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City of Vacaville  
 FY 2010-2011 Budget

RETIREE BENEFITS  
 INTERNAL SERVICE FUND

	2007/08 Actual	2008/09 Actual	2009/10 Adopted Budget	2010/11 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance	\$1,551,748	\$643,865	\$895,934	\$1,684,729
Transfer from Insurance Reserve Funds	0	500,000	800,000	0
Internal Charges	1,333,367	3,426,440	4,717,199	3,916,844
<b>Total Resources:</b>	<b>\$2,885,115</b>	<b>\$4,570,305</b>	<b>\$6,413,133</b>	<b>\$5,601,573</b>
<b>Uses:</b>				
Retiree Medical Premiums	\$2,274,476	\$2,477,213	\$2,928,404	\$2,820,771
Retiree Medical Setaside	0	800,000	800,000	300,000
Payments for Accrued Leave Balances	205,091	550,308	1,000,000	500,000
<b>Total Uses:</b>	<b>\$2,479,567</b>	<b>\$3,827,521</b>	<b>\$4,728,404</b>	<b>\$3,620,771</b>
<b>Projected Ending Balance:</b>	<b>\$405,548</b>	<b>\$742,784</b>	<b>\$1,684,729</b>	<b>\$1,980,802</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 upgrade to the CNG station is planned as a CIP project which will enable more efficient fueling of the Transit fleet.

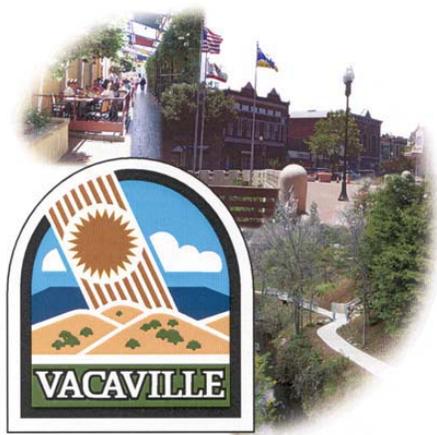


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City of Vacaville  
 FY 2010-2011 Budget

CENTRAL GARAGE & FUEL STATION  
 INTERNAL SERVICE FUND

	2007/08 Actual	2008/09 Actual	2009/10 Adopted Budget	2010/11 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance ( <i>working capital</i> )	\$49,782	(\$28,658)	(\$28,658)	\$0
Internal Service Charges, Garage	1,559,300	1,643,978	1,445,387	1,532,110
Internal Service Charges, Fuel/CNG Station/SID	1,188,700	996,036	1,054,769	1,118,739
<b>Total Resources:</b>	<b>\$2,797,782</b>	<b>\$2,611,356</b>	<b>\$2,471,498</b>	<b>\$2,650,849</b>
<b>Uses:</b>				
Salaries and Benefits	\$879,238	\$955,424	996,713	904,609
Sublet Costs - Garage	300,548	266,189	275,000	275,000
Vehicle Parts - Garage	350,716	356,104	360,000	367,200
Garage Supplies and Overhead	123,451	126,547	180,771	185,916
Fuel Station Supplies and Overhead	1,172,487	993,961	1,103,458	918,124
<b>Total Uses:</b>	<b>\$2,826,440</b>	<b>\$2,698,225</b>	<b>\$2,915,942</b>	<b>\$2,650,849</b>
<b>Projected Ending Balance:</b>	<b>(\$28,658)</b>	<b>(\$86,869)</b>	<b>(\$444,444)</b>	<b>\$0</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. As in the last three years, no General Fund transfer will be made for vehicle purchases in FY10/11. The number of police patrol vehicles approaching the need for replacement based on safe use and maintenance efficiency is increasing. In order to mitigate a backlog in the near future that would strain available resources, two vehicles are planned for replacement in the coming year using existing General Fund balance in the Equipment Replacement fund.



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City of Vacaville  
 FY 2010-2011 Budget

VEHICLE & EQUIPMENT REPLACEMENT  
 INTERNAL SERVICE FUND

	2007/08 Actual	2008/09 Actual	2009/10 Adopted Budget	2010/11 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance <i>(working capital)</i>	\$2,430,975	\$2,268,328	\$2,357,184	\$2,195,834
Operating Transfer from General Fund	300,000	0	0	0
Internal Service Charges, Water	83,101	83,101	83,102	51,854
Internal Service Charges, Sewer	111,942	111,942	111,942	114,181
Internal Service Charges, Engineering Services	0	0	0	0
Internal Service Charges, Building Related	0	0	0	0
Internal Service Charges, L&L Districts	97,852	97,605	97,606	147,278
<b>Total Resources:</b>	<b>\$3,023,870</b>	<b>\$2,560,976</b>	<b>\$2,649,834</b>	<b>\$2,509,147</b>
<b>Uses:</b>				
Vehicles, General Fund	\$299,010	\$0	\$200,000	\$82,000
Vehicles, Water	147,374	66,420	0	68,000
Vehicles, Sewer	24,950	66,815	254,000	34,000
Vehicles, Engineering Services	77,317	9,977	0	0
Vehicles, Building Related	(1,215)	58,545	0	0
Vehicles, L&L Districts	208,105	2,036	0	112,000
<b>Total Uses:</b>	<b>\$755,541</b>	<b>\$203,793</b>	<b>\$454,000</b>	<b>\$296,000</b>
<b>Projected Ending Balance:</b>	<b>\$2,268,328</b>	<b>\$2,357,184</b>	<b>\$2,195,834</b>	<b>\$2,213,147</b>

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 10/11 includes the planned replacement of the police mobile computer terminals (MCT's) with Toughbooks. The beginning fund balance for FY10/11 will be approximately \$421,000. 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.

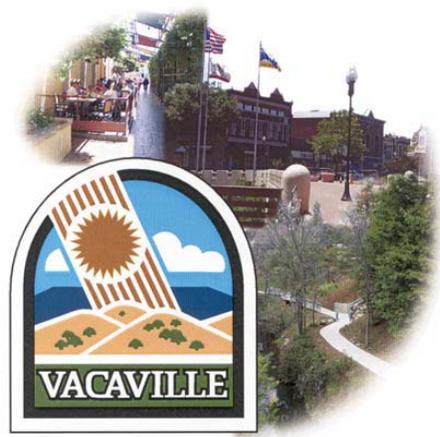


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City of Vacaville  
 FY 2010-2011 Budget

TECHNOLOGY REPLACEMENT  
 INTERNAL SERVICE FUND

	2007/08 Actual	2008/09 Actual	2009/10 Adopted Budget	2010/11 Proposed Budget
<b>Resources:</b>				
Projected Beginning Balance ( <i>working capital</i> )	\$396,885	\$421,483	\$421,483	\$421,483
Internal Service Charges	696,841	957,735	854,756	1,017,943
<b>Total Resources:</b>	<b>\$1,093,726</b>	<b>\$1,379,218</b>	<b>\$1,276,239</b>	<b>\$1,439,426</b>
<b>Uses:</b>				
Server Replacement	\$0	\$0	\$112,290	\$236,600
PC Replacement	149,897	146,078	187,941	179,554
Network Device Replacement	32,743	16,159	105,721	105,714
Software Licensing	383,922	371,256	388,702	462,635
Services & Non Capital Computer Equipment	105,681	49,198	60,102	45,000
<b>Total Uses:</b>	<b>\$672,243</b>	<b>\$582,691</b>	<b>\$854,756</b>	<b>\$1,029,503</b>
<b>Projected Ending Balance:</b>	<b>\$421,483</b>	<b>\$796,527</b>	<b>\$421,483</b>	<b>\$409,923</b>



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City of Vacaville  
 FY 2009-2010 Budget

EQUIPMENT CAPITAL LEASE OBLIGATIONS

FY Beg	Equipment	Funding Source	Term	Payments					Thereafter
				2011	2012	2013	2014	2015	
FY 05/06	2 - FD Engines	General Fund	10 yrs	83,949	83,949	83,949	83,949	83,949	-
FY 06/07	Ladder Truck	General Fund	10 yrs	117,503	117,503	117,503	117,503	117,503	117,503
	Brush Unit/Explr Equip	General Fund		28,286	28,286	28,286	28,286	28,286	28,286
	Backhoe	General Fund		15,324	15,324	15,324	15,324	15,324	15,324
	Water Truck	Sewer		8,480	8,480	8,480	8,480	8,480	8,480
FY 07/08	Brush Unit	Fire DIF	10 yrs	17,973	17,973	17,973	17,973	17,973	17,973
	Asphalt Grinder	Gas Tax		43,735	43,735	43,735	43,735	43,735	43,735
	Backhoe	Sewer Equip Rplcmnt		10,664	10,664	10,664	10,664	10,664	10,664
	Dump Truck	Water Equip Rplcmnt		11,144	11,144	11,144	11,144	11,144	11,144
	4-Yard Loader	Water & Sewer Equip Rplcmnt; Gen Fund		25,163	25,163	25,163	25,163	25,163	25,163
	30-Ton Trailer	Water Equip Rplcmnt		3,235	3,235	3,235	3,235	3,235	3,235
Annual Totals Through FY 07/08				\$ 365,456	\$ 365,456	\$ 365,456	\$ 365,456	\$ 365,456	\$ 281,507
FY 08/09	Flusher Truck	Water & Sewer Equip Rplcmnt	10 yrs	\$24,312	\$24,312	\$24,312	\$24,312	\$24,312	\$48,624
	Asphalt Patch Truck	Gas Tax		23,949	23,949	23,949	23,949	23,949	47,898
	15" Brush Chipper	Gas Tax		5,020	5,020	5,020	5,020	5,020	10,040
	Utility Vacuum Sys Trailer	Water Major Rplcmnt & Repairs		3,925	3,925	3,925	3,925	3,925	7,850
Annual Totals through FY 08/09				\$ 422,662	\$ 422,662	\$ 422,662	\$ 422,662	\$ 422,662	\$ 395,919



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