



Internal Service Funds

City of Waukegan Proposed Budget

Fiscal Year May 1, 2020 to April 30, 2021

Introduction

The City maintains Internal Service Funds to track services provided between departments on a cost pass-through basis. This allows for vendors, claims and settlements to be paid accurately, timely, and in a centralized manner. On a weekly or monthly basis, the net costs are charged back to the departments attributed to or benefitting from the costs.

Overview

The Fiscal Year May 1, 2020 to April 30, 2021 (FY21) Internal Service Funds proposed budget calls for \$15.6 million in revenues or contra-expenses and \$15.6 million in expenses, for a net result of zero.

<i>Revenues / Contra-Expenses</i>	15,581,700
<i>Expenses</i>	(15,581,700)
<i>Surplus / (Deficit) before transfers</i>	0
<i>Transfers in</i>	0
<i>Transfers (out)</i>	0
<i>Surplus / (Deficit) after transfers</i>	0

Discussion

The City has various arrangements for medical, dental, and life insurance coverage for all full-time employee groups, as well as some programs relative to retirees. Employee and employer contributions are recorded as revenues, with the premiums paid to the insurance providers recorded as expenses to the Employee Benefit Plan Fund. The employer-only costs associated with the insurance plans, estimated to be \$7.9 million for FY21, are assigned back to the department from which the employee or retiree is associated.

The City is exposed to various risk of loss claims related to workers' compensation, property damage, torts, errors and omissions, etc. The \$4.2 million in financial activity related to these risks projected for FY21 is paid through the Safety and Risk Management Fund and then is charged back to the appropriate departmental budget to recoup those costs via a contra-expense entry, in keeping with government accounting standards.

The Information Technology (IT) Internal Service Fund accounts for IT related costs such as staff, support and maintenance contracts, and soft/hardware renewals and

replacement. The total IT costs are budgeted for \$2.6 million in FY21. This excludes two large-capital IT projects, the SCADA and ERP upgrades that are discussed in detail within Enterprise Funds section of this report.

Headcount from FY17 to the proposed FY21 is shown below. The IT Department will be moving a contractual position to a full-time, in-house position effective FY21. Prior to FY20, the IT Department personnel was accounted for in the General Fund, and the Risk Manager position was added as an in-house, staffed position in FY19.

Internal Service Funds Central Services						
	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u> <u>Proposed</u>	<u>Change</u>
Assistant IT Director	-	-	-	1.00	1.00	-
Comm / Utility Manager	-	-	-	1.00	1.00	-
Information Sys Director	-	-	-	1.00	1.00	-
Systems Administrator	-	-	-	2.00	3.00	1.00
Risk Manager	-	-	1.00	1.00	1.00	-
	-	-	1.00	6.00	7.00	1.00

Actual revenues, expenses, and transfers are included in the following chart along with the FY20 adjusted budget and FY21 proposal. The health insurance premiums were underestimated for FY20, therefore the increase in premiums from the FY20 to the FY21 budget is based on actual results from calendar years 2018, 2019, and the 2020 renewal rates. Also of note, typically internal service fund activity nets to zero for the fiscal year. From FY17 to FY19, the City borrowed funds via bond issues or loans from the Working Cash Fund to pay police liability claims that exceeded insurance policy coverage. The proceeds from the bonds were recorded into the Internal Service Fund in consultation with the external auditors, causing the atypical results shown here. All proceeds from these transactions were disbursed to the claimants, with no surplus retained by the City. Line item detail for the FY21 budget proposal may be found in the attached Appendix.

INTERNAL SERVICE FUNDS		FY17 ACTUAL	FY18 ACTUAL	FY19 ACTUAL	FY20 ADJ BUDGET	FY21 PROP BUDGET	CHG FY21 VS. FY20 BUDGET	
Revenues								
Sub 4800	Miscellaneous Revenue	-705,031	-1,448,601	-332,325				0
Sub 5800	Premium Contributions	-8,032,495	-7,930,128	-7,884,837	-7,150,000	-8,774,000	23%	-1,624,000
Total Revenues		-8,737,526	-9,378,729	-8,217,162	-7,150,000	-8,774,000	23%	-1,624,000
Expenses								
Sub 2100	Personnel Services			74,929	529,000	619,000	17%	90,000
Sub 2200	Personnel Benefits	14,257	13,151	21,422	256,000	258,600	1%	2,600
Sub 2400	Contractual Services	10,799,137	13,054,457	8,955,016	13,488,900	14,642,125	9%	1,153,225
Sub 2500	Commodities		358	3,822	26,100	61,975	137%	35,875
Sub 2600	Capital Outlay			20,732	5,000		-100%	-5,000
Sub 2800	Non-Cash Expense	-2,639,359	-15,733,154	-11,805,491	-7,155,000	-6,807,700	-5%	347,300
Total Expenses		8,174,035	-2,665,188	-2,729,570	7,150,000	8,774,000	23%	1,624,000
Transfers								
Sub 6300	Transfers From							
Sub 6800	Transfers To		900,000	132,392				
Total -Surplus / Deficit		-563,491	-11,143,917	-10,814,340	0	0		
		=====	=====	=====	=====	=====		

Fnd 660 SAFETY & RISK MANAGEMENT FUND

660 169821788	Director of Risk Mgmt	105,000	
660 169822456	Hospitalization	16,000	
660 169822461	Employer Portion (OASDI)	7,000	
660 169822462	Employer Portion (Medicare)	1,000	
660 169822467	Life Insurance	500	
660 169822610	Employer IMRF	16,000	
660 169822702	IL WC Comm Assessment	6,000	
660 169824429	Conference & Travel	2,000	
660 169824432	Postage	500	
660 169924456	Claims Expense	3,993,800	
660 169825465	Office Supplies	2,000	
660 169825466	Gasoline & Oil	500	
660 169825480	Miscellaneous Expense	50,000	
660 169928419	Contra Claims Expense	-4,200,300	
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Fnd 680 EMPLOYEE'S BENEFIT PLAN FUND

680 58100	Employee Contribution PPO	-432,800	
680 58110	Employee Contribution Dental PPO	-40,000	
680 58150	Employee Contribution HMO	-400,000	
680 58160	Employee Contriution Dental HMO	-5,000	
680 58200	City Contrib. - PPO Plan	-2,384,000	
680 58210	City Contrib - Dental PPO Plan	-275,000	
680 58300	City Contrib. - HMO Plan	-3,076,000	
680 58310	City Contrib - Dental HMO Plan	-32,100	
680 58350	City Contrib - MOE Fringe	-1,922,000	
680 58500	Employer Contribution Life Ins.	-75,000	
680 58505	Misc. Contributions	-132,100	
		-----	-8,774,000
680 189424466	Dental Insurance	500,000	
680 189424467	Insurance Premium Life	207,100	
680 189424470	HMO/PPO Premium	2,010,900	
680 189424476	HMO/PPO Premium	6,056,000	
		-----	8,774,000
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695 169821713	Systems Adminisator	210,000
695 169821757	Management Info Director	128,000
695 169821803	Comm/Utilities Manager	87,000
695 169821806	Assistant IT Director	89,000
695 169822456	Hospitalization	96,000
695 169822461	Employer Portion (OASDI)	32,000
695 169822462	Employer Portion (Medicare)	7,500
695 169822467	Life Insurance	1,600
695 169822610	Employer IMRF	75,000

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695 169824060	Central Admin IT Services	120,000
695 169824061	Building Dept IT Services	40,000
695 169824062	Fire Dept IT Services	120,000
695 169824063	Police Dept IT Services	120,000
695 169824064	Planning Dept IT Services	40,000
695 169824065	Public Works IT Services	120,000
695 169824066	E911 IT Services	120,000
695 169824068	Water & Sewer IT Services	120,000
695 169824069	Water Collection IT Services	120,000
695 169824070	Parking IT Services	40,000
695 169824072	Local Forfeiture IT Services	40,000
695 169824412	Equipment Maint.	250,000
695 169824423	Telephone	500,000
695 169824428	Rental/Lease Purchase	10,000
695 169824431	Training & Schooling	10,000
695 169824432	Postage	1,825
695 169824438	Other Professional Serv.	100,000
695 169825465	Office Supplies	5,000
695 169825466	Gasoline & Oil	4,475
695 169528419	Contra Claims Expense	-2,607,400

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