

Memorandum

City of Lawrence

Finance Department

TO: City Commission
FROM: Jeremy Willmoth, Finance Director
CC: Craig Owens, City Manager
DATE: August 4, 2020
RE: Internal Service Funds Supplemental Information

Background

Internal service funds were first included in the FY20 budget with the movement of Finance, Human Resources, Information Technology, and Risk Management to the Administrative Services Fund. This was considered phase I of the internal service fund implementation. These costs were predominately borne by the General Fund despite supporting the entire operation.

The City Manager's Recommended Budget for FY21 completed phase II of this implementation by adding Public Information, City Clerk, City Commission, City Attorney's Office, City Manager's Office, and Facility Maintenance to the Administrative Services Fund.

The costs related to these functions are charged back to the various operating funds within the City to align with the support that these functions provide to the entire organization.

This memo aims to provide additional context related to these costs and breaks it out by function area to demonstrate the cost by department for the General Fund and an overview of the cost across all operating funds.

Risk Management

The cost allocation methodology for FY20 was a blended model based on number of full-time equivalents (FTEs) and budget authority. For FY21 this model has been updated and the Risk Management cost now includes liability insurance as well as Worker's Compensation.

The cost methodology for FY21 has been updated to charge departments based on the building size for property insurance; claims from the prior year for liability insurance; and, claims from the prior year for Worker's Compensation insurance. Staff believes this methodology more closely aligns the costs with the appropriate department and operating fund.

Risk Management Services in the General Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
Police	\$199,000	\$301,000	\$102,000	51%

Fire Medical	\$173,000	\$463,000	\$290,000	168%
Municipal Court	\$4,000	\$14,000	\$10,000	250%
Economic Development	\$2,000	\$7,000	\$5,000	250%
Parks & Recreation	\$72,000	\$252,000	\$180,000	250%
Municipal Services & Operations	\$86,000	\$301,000	\$215,000	250%
Planning & Development Services	\$35,000	\$126,000	\$91,000	250%
Total General Fund	\$571,000	\$1,464,000	\$893,000	156%

Risk Management Services by Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
General Fund	\$571,000	\$1,464,000	\$893,000	156%
Airport Fund	\$0	\$7,000	\$7,000	N/A
Guest Tax Fund	\$8,000	\$0	-\$8,000	-100%
Public Transportation Fund	\$17,000	\$0	-\$17,000	-100%
Recreation Fund	\$44,000	\$0	-\$44,000	-100%
Special Gasoline Tax Fund	\$24,000	\$0	-\$24,000	-100%
Special Recreation Fund	\$2,000	\$0	-\$2,000	-100%
Water & Wastewater Fund	\$522,000	\$625,000	\$103,000	20%
Solid Waste Fund	\$343,000	\$641,000	\$298,000	87%
Parking Fund	\$11,000	\$52,000	\$41,000	373%
Central Maintenance Fund	\$0	\$73,000	\$73,000	N/A
Stormwater Fund	\$62,000	\$10,000	-\$52,000	-84%
Golf Course Fund	\$7,000	\$0	-\$7,000	-100%
Total	\$1,611,000	\$2,872,000	\$1,261,000	78%

Human Resources

The cost allocation methodology for FY20 was a blended model based on number of full-time equivalents (FTEs) and budget authority. For FY21 this model has been updated to only include FTEs. Staff believes this methodology more closely aligns the costs with the appropriate department and operating fund.

Human Resource Services in the General Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
Police	\$271,000	\$393,000	\$122,000	45%
Fire Medical	\$235,000	\$335,000	\$100,000	43%
Municipal Court	\$4,000	\$7,000	\$3,000	75%
Economic Development	\$2,000	\$4,000	\$2,000	100%
Parks & Recreation	\$95,000	\$159,000	\$64,000	67%

Municipal Services & Operations	\$80,000	\$133,000	\$53,000	66%
Planning & Development Services	\$41,000	\$66,000	\$25,000	61%
Total General Fund	\$728,000	\$1,097,000	\$369,000	51%

Human Resource Services by Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
General Fund	\$728,000	\$1,097,000	\$369,000	51%
Guest Tax Fund	\$11,000	\$0	-\$11,000	-100%
Public Transportation Fund	\$22,000	\$2,000	-\$20,000	-91%
Recreation Fund	\$95,000	\$0	-\$95,000	-100%
Special Gasoline Tax Fund	\$31,000	\$0	-\$31,000	-100%
Special Recreation Fund	\$5,000	\$0	-\$5,000	-100%
Water & Wastewater Fund	\$223,000	\$287,000	\$64,000	29%
Solid Waste Fund	\$125,000	\$194,000	\$69,000	55%
Parking Fund	\$14,000	\$21,000	\$7,000	50%
Stormwater Fund	\$16,000	\$25,000	\$9,000	56%
Golf Course Fund	\$15,000	\$0	-\$15,000	-100%
Total	\$1,285,000	\$1,626,000	\$341,000	27%

Finance Administration

The cost allocation methodology for FY20 was a blended model based on number of full-time equivalents (FTEs) and budget authority. For FY21 this model has been updated to only include operating budget. This amount is determined by taking the recommended budget excluding transfers, debt services, grants, and capital expenditures. Staff believes this methodology more closely aligns the costs with the appropriate department and operating fund.

Finance Administration Services in the General Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
Police	\$233,000	\$258,000	\$25,000	11%
Fire Medical	\$203,000	\$237,000	\$34,000	17%
Municipal Court	\$8,000	\$8,000	\$0	0%
Economic Development	\$6,000	\$5,000	-\$1,000	-17%
Parks & Recreation	\$82,000	\$75,000	-\$7,000	-9%
Municipal Services & Operations	\$75,000	\$69,000	-\$6,000	-8%
Planning & Development Services	\$21,000	\$20,000	-\$1,000	-5%
Total General Fund	\$628,000	\$672,000	\$44,000	7%

Finance Administration Services by Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
General Fund	\$628,000	\$672,000	\$44,000	7%
Guest Tax Fund	\$9,000	\$14,000	\$5,000	55%
Public Transportation Fund	\$20,000	\$43,000	\$23,000	115%
Recreation Fund	\$52,000	\$0	-\$52,000	-100%
Special Gasoline Tax Fund	\$28,000	\$0	-\$28,000	-100%
Special Recreation Fund	\$3,000	\$0	-\$3,000	-100%
Water & Wastewater Fund	\$202,000	\$214,000	\$12,000	6%
Solid Waste Fund	\$112,000	\$115,000	\$3,000	3%
Parking Fund	\$13,000	\$9,000	-\$4,000	-31%
Stormwater Fund	\$14,000	\$14,000	\$0	0%
Golf Course Fund	\$8,000	\$0	-\$8,000	-100%
Total	\$1,089,000	\$1,081,000	-\$8,000	-1%

Information Technology

The cost allocation methodology for FY20 was a blended model based on number of full-time equivalents (FTEs) and budget authority. For FY21 this model has been updated to allocate the cost based on the number of devices within the operation. Staff believes this methodology more closely aligns the costs with the appropriate department and operating fund.

Additionally, the FY21 budget also includes funding for services that are now going to be directly billed by Information Technology to help provide better accountability. Previously, these costs were included in the departmental budget. While this does increase the budget for Information Technology, there was a corresponding decrease in the departmental budgets to accommodate this change. These costs are for items such as licenses for city-wide programs, phone bills, internet bills, and computer replacements.

Information Technology Services in the General Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
Police	\$397,000	\$0	-\$397,000	-100%
Fire Medical	\$345,000	\$448,000	\$103,000	30%
Municipal Court	\$7,000	\$25,000	\$18,000	257%
Economic Development	\$3,000	\$12,000	\$9,000	300%
Parks & Recreation	\$117,000	\$452,000	\$335,000	286%
Municipal Services & Operations	\$141,000	\$540,000	\$399,000	283%
Planning & Development Services	\$58,000	\$226,000	\$168,000	290%
Total General Fund	\$1,068,000	\$1,703,000	\$635,000	59%

Information Technology Services by Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
General Fund	\$1,068,000	\$1,703,000	\$635,000	59%
Guest Tax Fund	\$16,000	\$0	-\$16,000	-100%
Public Transportation Fund	\$34,000	\$19,000	-\$15,000	-44%
Recreation Fund	\$88,000	\$0	-\$88,000	-100%
Special Gasoline Tax Fund	\$48,000	\$0	-\$48,000	-100%
Special Recreation Fund	\$4,000	\$0	-\$4,000	-100%
Water & Wastewater Fund	\$343,000	\$957,000	\$614,000	179%
Solid Waste Fund	\$191,000	\$89,000	-\$102,000	-53%
Parking Fund	\$22,000	\$23,000	\$1,000	5%
Stormwater Fund	\$24,000	\$60,000	\$36,000	150%
Golf Course Fund	\$13,000	\$0	-\$13,000	-100%
Total	\$1,851,000	\$2,851,000	\$1,000,000	54%

Additional Internal Service Fund Functions

As part of the City Manager's Recommended FY21 Budget, several additional functions were added to the Internal Service Fund. This is intended to be the final phase of implementation although the costing methodologies will continue to be evaluated for each function annually.

There were six (6) functions added in FY21: City Commission, City Manager, City Attorney, City Clerk, Public Information Office, and Facility Maintenance. The cost allocation for these functions are based on operating budget. The one exception is Facility Maintenance which is only being allocated to the General Fund as it is currently only supporting those operations. As that program expands into the entire organization, the costing will be updated accordingly.

Additional Administrative Services in the General Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
Additional Administrative Services	\$4,777,000	\$0	-\$4,777,000	-100%
Police	\$0	\$1,340,000	\$1,340,000	N/A
Fire Medical	\$0	\$1,231,000	\$1,231,000	N/A
Municipal Court	\$0	\$33,000	\$33,000	N/A
Economic Development	\$0	\$27,000	\$27,000	N/A
Parks & Recreation	\$0	\$393,000	\$393,000	N/A
Municipal Services & Operations	\$0	\$362,000	\$362,000	N/A
Planning & Development Services	\$0	\$103,000	\$103,000	N/A
Total General Fund	\$4,777,000	\$3,489,000	-\$1,288,000	-27%

Additional Administrative Services by Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
General Fund	\$4,777,000	\$3,489,000	-\$1,288,000	-27%
Guest Tax Fund	\$0	\$122,000	\$122,000	N/A
Public Transportation Fund	\$0	\$138,000	\$138,000	N/A
Water & Wastewater Fund	\$0	\$690,000	\$690,000	N/A
Solid Waste Fund	\$0	\$373,000	\$373,000	N/A
Parking Fund	\$0	\$30,000	\$30,000	N/A
Stormwater Fund	\$0	\$47,000	\$47,000	N/A
Total	\$4,777,000	\$4,889,000	\$112,000	2%

Summary of All Administrative Services

The chart below summarizes all the administrative services (Fund 523) charged out to the various operating functions.

Summary of All Administrative Services in the General Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
Additional Administrative Services	\$4,777,000	\$0	-\$4,777,000	-100%
Police	\$901,000	\$1,991,000	\$1,090,000	121%
Fire Medical	\$783,000	\$2,251,000	\$1,468,000	187%
Municipal Court	\$19,000	\$73,000	\$54,000	284%
Economic Development	\$11,000	\$48,000	\$37,000	336%
Parks & Recreation	\$294,000	\$1,079,000	\$785,000	267%
Municipal Services & Operations	\$296,000	\$1,104,000	\$808,000	273%
Planning & Development Services	\$120,000	\$415,000	\$295,000	246%
Total General Fund	\$7,201,000	\$6,961,000	-\$240,000	-3%

Summary of All Administrative Services by Fund

Charged To	FY20 Revised	FY21 Recommended	Variance	% Change
General Fund	\$7,201,000	\$6,961,000	-\$240,000	-3%
Guest Tax Fund	\$36,000	\$136,000	\$100,000	278%
Public Transportation Fund	\$76,000	\$202,000	\$126,000	-166%
Recreation Fund	\$235,000	\$0	-\$235,000	-100%
Special Gasoline Tax Fund	\$107,000	\$0	-\$107,000	-100%
Special Recreation Fund	\$12,000	\$0	-\$12,000	-100%

Water & Wastewater Fund	\$768,000	\$2,148,000	\$1,380,000	180%
Solid Waste Fund	\$428,000	\$771,000	\$343,000	80%
Parking Fund	\$49,000	\$83,000	\$34,000	69%
Stormwater Fund	\$54,000	\$146,000	\$92,000	170%
Golf Course Fund	\$36,000	\$0	-\$36,000	-100%
Total	\$9,002,000	\$10,447,000	\$1,445,000	16%

Finally, it should be noted that the Risk Management internal service fund is now being captured in a separate fund (Fund 524). The remaining functions are being captured in the Administrative Services Fund (Fund 523). Additionally, as part of the fund consolidation effort, the Central Maintenance Garage is now included in the Administrative Services Fund.