

Memorandum

City of Lawrence

Finance Department

TO: City Commission
FROM: Jeremy Willmoth, Finance Director
CC: Craig Owens, City Manager
DATE: July 28, 2021
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 budget in 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. Finally, in the FY22 Recommended Budget, the Utility Billing function was moved 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 Risk Management budget includes operations, liability insurance, and Worker's Compensation. The cost methodology is 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 closely aligns the costs with the appropriate department and operating fund.

Risk Management Services in the General Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
Planning & Development Services	\$126,000	\$13,000	(\$113,000)	-90%
Finance (Smaller Depts)	\$21,000	\$8,000	(\$13,000)	-62%
Police	\$301,000	\$386,000	\$85,000	28%
Fire Medical	\$463,000	\$479,000	\$16,000	3%

Parks & Recreation	\$252,000	\$395,000	\$143,000	57%
Municipal Services & Operations	\$301,000	\$237,000	(\$64,000)	-21%
Total General Fund	\$1,464,000	\$1,518,000	\$54,000	4%

Risk Management Services by Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
General Fund	\$1,464,000	\$1,518,000	\$54,000	4%
Airport Fund	\$7,000	\$13,000	\$6,000	86%
Guest Tax Fund	\$0	\$0	\$0	
Public Transportation Fund	\$0	\$0	\$0	N/A
Water & Wastewater Fund	\$625,000	\$633,000	\$8,000	1%
Solid Waste Fund	\$641,000	\$655,000	\$14,000	2%
Parking Fund	\$52,000	\$78,000	\$26,000	50%
Central Maintenance Fund	\$73,000	\$0	(\$73,000)	-100%
Stormwater Fund	\$10,000	\$10,000	\$0	0%
Total	\$2,872,000	\$2,907,000	\$35,000	1%

Human Resources

The cost allocation methodology is based on number of full-time equivalents (FTEs). Staff believes this methodology closely aligns the costs with the appropriate department and operating fund.

Human Resource Services in the General Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
Planning & Development Services	\$66,000	\$95,000	\$29,000	44%
Finance (Smaller Depts)	\$11,000	\$35,000	\$24,000	218%
Police	\$393,000	\$498,000	\$105,000	27%
Fire Medical	\$335,000	\$424,000	\$89,000	27%
Parks & Recreation	\$159,000	\$215,000	\$56,000	35%
Municipal Services & Operations	\$133,000	\$158,000	\$25,000	19%
Total General Fund	\$1,097,000	\$1,425,000	\$328,000	30%

Human Resource Services by Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
General Fund	\$1,097,000	\$1,425,000	\$328,000	30%
Guest Tax Fund	\$0	\$0	\$0	N/A
Public Transportation Fund	\$2,000	\$1,000	(\$1,000)	-50%

Water & Wastewater Fund	\$287,000	\$405,000	\$118,000	41%
Solid Waste Fund	\$194,000	\$229,000	\$35,000	18%
Parking Fund	\$21,000	\$27,000	\$6,000	29%
Stormwater Fund	\$25,000	\$38,000	\$13,000	52%
Total	\$1,626,000	\$2,125,000	\$499,000	31%

Finance Administration

The cost allocation methodology is based on the operating budget for each department. This amount is determined by taking the recommended budget excluding transfers, debt services, grants, and capital expenditures. Staff believes this methodology closely aligns the costs with the appropriate department and operating fund.

Finance Administration Services in the General Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
Planning & Development Services	\$43,000	\$82,000	\$39,000	91%
Finance (Smaller Depts)	\$28,000	\$97,000	\$69,000	246%
Police	\$550,000	\$531,000	(\$19,000)	-3%
Fire Medical	\$505,000	\$466,000	(\$39,000)	-8%
Parks & Recreation	\$160,000	\$259,000	\$99,000	62%
Municipal Services & Operations	\$147,000	\$300,000	\$153,000	104%
Total General Fund	\$1,433,000	\$1,735,000	\$302,000	21%

Finance Administration Services by Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
General Fund	\$1,433,000	\$1,735,000	\$302,000	21%
Guest Tax Fund	\$14,000	\$28,000	\$14,000	100%
Public Transportation Fund	\$73,000	\$56,000	(\$17,000)	-23%
Water & Wastewater Fund	\$324,000	\$563,000	\$239,000	74%
Solid Waste Fund	\$115,000	\$253,000	\$138,000	120%
Parking Fund	\$9,000	\$27,000	\$18,000	200%
Stormwater Fund	\$14,000	\$95,000	\$81,000	579%
Total	\$1,982,000	\$2,757,000	\$775,000	39%

Information Technology

The cost allocation methodology is based on the number of devices within the operation. Staff believes this methodology closely aligns the costs with the appropriate department and operating fund.

Information Technology Services in the General Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
Planning & Development Services	\$222,000	\$300,000	\$78,000	35%
Finance (Smaller Depts)	\$36,000	\$49,000	\$13,000	36%
Police	\$0	\$0	\$0	N/A
Fire Medical	\$440,000	\$594,000	\$154,000	35%
Parks & Recreation	\$444,000	\$599,000	\$155,000	35%
Municipal Services & Operations	\$531,000	\$717,000	\$186,000	35%
Total General Fund	\$1,673,000	\$2,259,000	\$586,000	35%

Information Technology Services by Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
General Fund	\$1,673,000	\$2,259,000	\$586,000	35%
Guest Tax Fund	\$0	\$0	\$0	N/A
Public Transportation Fund	\$19,000	\$25,000	\$6,000	32%
Water & Wastewater Fund	\$957,000	\$1,269,000	\$312,000	33%
Solid Waste Fund	\$89,000	\$118,000	\$29,000	33%
Parking Fund	\$23,000	\$30,000	\$7,000	30%
Stormwater Fund	\$60,000	\$80,000	\$20,000	33%
Total	\$2,821,000	\$3,781,000	\$960,000	34%

Additional Internal Service Fund Functions

As part of the 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	FY21 Revised	FY22 Recommended	Variance	% Change
Planning & Development Services	\$103,000	\$202,000	\$99,000	96%
Finance (Smaller Depts)	\$60,000	\$238,000	\$178,000	297%
Police	\$1,340,000	\$1,304,000	(\$36,000)	-3%
Fire Medical	\$1,231,000	\$1,143,000	(\$88,000)	-7%
Parks & Recreation	\$393,000	\$636,000	\$243,000	62%

Municipal Services & Operations	\$362,000	\$737,000	\$375,000	104%
Total General Fund	\$3,489,000	\$4,260,000	\$771,000	22%

Additional Administrative Services by Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
General Fund	\$3,489,000	\$4,260,000	\$771,000	22%
Guest Tax Fund	\$122,000	\$49,000	(\$73,000)	-60%
Public Transportation Fund	\$138,000	\$107,000	(\$31,000)	-22%
Water & Wastewater Fund	\$690,000	\$905,000	\$215,000	31%
Solid Waste Fund	\$373,000	\$406,000	\$33,000	9%
Parking Fund	\$30,000	\$43,000	\$13,000	43%
Stormwater Fund	\$47,000	\$153,000	\$106,000	226%
Total	\$4,889,000	\$5,923,000	\$1,034,000	21%

Utility Billing

There was one additional change made as part of the FY22 budget recommendation. This was to move the Utility Billing function from the Water/Wastewater Fund to the Administrative Services Fund. The cost allocation methodology is based on the proportion of the average utility bill for water/wastewater, solid waste, and stormwater. Staff believes this methodology closely aligns the costs with the appropriate department and operating fund.

Utility Billing by Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
General Fund	\$0	\$0	\$0	N/A
Guest Tax Fund	\$0	\$0	\$0	N/A
Public Transportation Fund	\$0	\$0	\$0	N/A
Water & Wastewater Fund	\$1,724,000	\$1,595,000	(\$129,000)	-7%
Solid Waste Fund	\$0	\$425,000	\$425,000	N/A
Parking Fund	\$0	\$0	\$0	N/A
Stormwater Fund	\$0	\$106,000	\$106,000	N/A
Total	\$1,724,000	\$2,126,000	\$402,000	23%

Summary of All Administrative Services

The chart below summarizes all the administrative services charged out to the various operating functions.

Summary of All Administrative Services in the General Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
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Planning & Development Services	\$560,000	\$692,000	\$132,000	24%
Finance (Smaller Depts)	\$156,000	\$427,000	\$271,000	174%
Police	\$2,584,000	\$2,719,000	\$135,000	5%
Fire Medical	\$2,974,000	\$3,106,000	\$132,000	4%
Parks & Recreation	\$1,408,000	\$2,104,000	\$696,000	49%
Municipal Services & Operations	\$1,474,000	\$2,149,000	\$675,000	46%
Total General Fund	\$9,156,000	\$11,197,000	\$2,041,000	22%

Summary of All Administrative Services by Fund

Charged To	FY21 Revised	FY22 Recommended	Variance	% Change
General Fund	\$9,156,000	\$11,197,000	\$2,041,000	22%
Airport Fund	\$7,000	\$13,000	\$6,000	86%
Guest Tax Fund	\$136,000	\$77,000	(\$59,000)	-43%
Public Transportation Fund	\$232,000	\$189,000	(\$43,000)	-19%
Water & Wastewater Fund	\$4,607,000	\$5,370,000	\$763,000	17%
Solid Waste Fund	\$1,412,000	\$2,086,000	\$674,000	48%
Parking Fund	\$135,000	\$205,000	\$70,000	52%
Central Maintenance Fund	\$73,000	\$0		
Stormwater Fund	\$156,000	\$482,000	\$326,000	209%
Total	\$15,914,000	\$19,619,000	\$3,778,000	78%

Finally, it should be noted that the Risk Management internal service fund is now being captured as 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.