

Memorandum

City of Lawrence

Finance Department

TO: City Commission
FROM: Jeremy Willmoth, Finance Director
CC: Craig Owens, City Manager
DATE: August 23, 2022
RE: Internal Service Funds Supplemental Information

Background

Internal service funds were first included in the Fiscal Year (FY) 2020 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. Prior to FY23, all the smaller departments were all charged to the General Administrative Overhead Account in the General Fund. With the move to Priority Based Budgeting in FY23, all programs are being charged their allocable share of expenses based on the listed methodologies, with the exception of property insurance, and facility maintenance where building costs are still allocated to general overhead.

Note: The programs charged to the Office of the City Attorney in the General Fund are for the Municipal Court, Court Security, and Human Relations Commission. All other cost for the City Attorney's office is a part of the shared services in the Administrative Services Fund.

The programs charged to the Office of the City Manager in the General Fund are for Economic Development. All other cost for the City Manager's office is a part of the shared services in 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	FY22 Revised	FY23 Recommended	Variance	% Change
City Attorney	\$0	\$3,000	\$3,000	100%
Planning & Development Services	\$13,000	\$9,000	(\$4,000)	-31%
General Overhead	\$195,000	\$247,000	\$55,000	28%
Police	\$386,000	\$435,000	\$49,000	13%
Fire Medical	\$479,000	\$509,000	\$30,000	6%
Parks & Recreation	\$395,000	\$299,000	(\$96,000)	-24%
Municipal Services & Operations	\$50,000	\$69,000	\$19,000	38%
Total General Fund	\$1,518,000	\$1,571,000	\$53,000	3%

Risk Management Services by Fund

Charged To	FY22 Revised	FY23 Recommended	Variance	% Change
General Fund	\$1,518,000	\$1,571,000	\$53,000	3%
Airport Fund	\$13,000	\$12,000	(\$1,000)	-8%
Guest Tax Fund	\$0	\$1,000	\$1,000	#DIV/0!
Water & Wastewater Fund	\$633,000	\$543,000	(\$90,000)	-14%
Solid Waste Fund	\$655,000	\$276,000	(\$379,000)	-58%
Parking Fund	\$78,000	\$83,000	\$5,000	6%
Central Maintenance Fund	\$0	\$0	\$0	N/A
Stormwater Fund	\$10,000	\$5,000	(\$5,000)	-50%
Total	\$2,907,000	\$2,491,000	(\$416,000)	-14%

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	FY22 Revised	FY23 Recommended	Variance	% Change
City Attorney	\$0	\$26,000	\$26,000	100%
City Manager	\$0	\$4,000	\$4,000	100%
Fire Medical	\$427,000	\$368,000	(\$59,000)	-14%
Municipal Services & Operations	\$159,000	\$107,000	(\$52,000)	-33%
Planning & Development Services	\$95,000	\$60,000	(\$35,000)	-37%
General Overhead	\$36,000	\$0	(\$36,000)	-100%
Police	\$500,000	\$317,000	(\$183,000)	-37%
Parks & Recreation	\$216,000	\$132,000	(\$84,000)	-39%
Total General Fund	\$1,433,000	\$1,014,000	(\$419,000)	-29%

Human Resource Services by Fund

Charged To	FY22 Revised	FY23 Recommended	Variance	% Change
General Fund	\$1,433,000	\$1,014,000	(\$419,000)	-29%
Public Transportation Fund	\$1,000	\$2,000	\$1,000	-100%
Guest Tax Fund	\$0	\$2,000	\$2,000	100%
Airport Fund	\$0	\$3,000	\$3,000	100%
Water & Wastewater Fund	\$407,000	\$217,000	(\$190,000)	-47%
Solid Waste Fund	\$230,000	\$150,000	(\$80,000)	-35%
Parking Fund	\$27,000	\$18,000	(\$9,000)	-33%
Stormwater Fund	\$38,000	\$25,000	(\$13,000)	-34%
Total	\$2,136,000	\$1,431,000	(\$705,000)	-33%

Finance Administration

The cost allocation methodology is tailored to each program withing the department.

Accounting/Budgeting: % of program compared to the whole budget

Purchasing: % of program's purchase orders for FY 2021

Payroll: % of program's FTE compared to the whole City

Utility Billing: Average allocation of utility bill

Finance Administration Services in the General Fund

Charged To	FY22 Revised	FY23 Recommended	Variance	% Change
City Attorney	\$0	\$48,000	\$48,000	100%
City Manager	\$0	\$28,000	\$28,000	100%
Fire Medical	\$467,000	\$666,000	\$199,000	43%
Municipal Services & Operations	\$301,000	\$349,000	\$48,000	16%
Planning & Development Services	\$82,000	\$139,000	\$57,000	70%
General Overhead	\$97,000	\$0	(\$97,000)	-100%
Police	\$533,000	\$711,000	\$178,000	33%
Parks & Recreation	\$259,000	\$439,000	\$180,000	69%
Total General Fund	\$1,739,000	\$2,380,000	\$641,000	37%

Finance Administration Services by Fund

Charged To	FY22 Revised	FY23 Recommended	Variance	% Change
General Fund	\$1,739,000	\$2,380,000	\$641,000	37%
Public Transportation Fund	\$57,000	\$14,000	(\$43,000)	-75%
Guest Tax Fund	\$28,000	\$36,000	\$8,000	29%
Airport Fund	\$0	\$5,000	\$5,000	100%
Water & Wastewater Fund	\$2,172,000	\$2,666,000	\$494,000	23%
Solid Waste Fund	\$682,000	\$858,000	\$176,000	26%
Parking Fund	\$27,000	\$56,000	\$29,000	107%
Stormwater Fund	\$202,000	\$187,000	(\$15,000)	-7%
Total	\$4,907,000	\$6,202,000	\$1,290,000	26%

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	FY22 Revised	FY23 Recommended	Variance	% Change
City Attorney	\$0	\$71,000	\$71,000	100%
City Manager	\$0	\$50,000	\$50,000	100%
Planning & Development Services	\$0	\$193,000	\$193,000	100%
General Overhead	\$1,324,000	\$0	(\$1,324,000)	-100%
Fire Medical	\$473,000	\$1,043,000	\$570,000	121%
Parks & Recreation	\$0	\$501,000	\$501,000	100%
Municipal Services & Operations	\$0	\$527,000	\$527,000	100%
Total General Fund	\$1,797,000	\$2,385,000	\$588,000	33%

Information Technology Services by Fund

Charged To	FY22 Revised	FY23 Recommended	Variance	% Change
General Fund	\$1,797,000	\$2,385,000	\$588,000	33%
Public Transportation Fund	\$20,000	\$43,000	\$23,000	115%
Water & Wastewater Fund	\$1,007,000	\$1,470,000	\$463,000	46%
Solid Waste Fund	\$142,000	\$221,000	\$79,000	56%
Parking Fund	\$24,000	\$24,000	\$0	0%
Stormwater Fund	\$60,000	\$27,000	(\$33,000)	-55%
Total	\$3,050,000	\$4,170,000	\$1,120,000	37%

Additional Internal Service Fund Functions

Several other functions are funded through Administrative Services: 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	FY22 Revised	FY23 Recommended	Variance	% Change
City Attorney	\$0	\$177,000	\$177,000	100%
City Manager	\$0	\$49,000	\$49,000	100%
Fire Medical	\$1,150,000	\$989,000	(\$161,000)	-14%
Municipal Services & Operations	\$741,000	\$1,119,000	\$378,000	51%
Planning & Development Services	\$203,000	\$302,000	\$99,000	49%
General Overhead	\$240,000	\$715,000	\$475,000	198%
Police	\$1,312,000	\$1,081,000	(\$231,000)	-18%
Parks & Recreation	\$638,000	\$489,000	(\$149,000)	-23%
Total General Fund	\$4,284,000	\$4,921,000	\$637,000	15%

Additional Administrative Services by Fund

Charged To	FY22 Revised	FY23 Recommended	Variance	% Change
General Fund	\$4,284,000	\$4,921,000	\$637,000	15%
Guest Tax Fund	\$45,000	\$77,000	\$32,000	71%
Public Transportation Fund	\$91,000	\$0	(\$91,000)	-100%
Water & Wastewater Fund	\$910,000	\$1,021,000	\$111,000	12%
Solid Waste Fund	\$408,000	\$543,000	\$135,000	33%
Parking Fund	\$43,000	\$75,000	\$32,000	74%
Stormwater Fund	\$154,000	\$90,000	(\$64,000)	-42%
Total	\$5,935,000	\$6,727,000	\$792,000	13%

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	FY22 Revised	FY23 Recommended	Variance	% Change
City Attorney	\$0	\$325,000	\$325,000	100%
City Manager	\$0	\$131,000	\$131,000	100%
Fire Medical	\$2,996,000	\$3,575,000	\$579,000	19%
Municipal Services & Operations	\$1,251,000	\$2,171,000	\$920,000	74%
Planning & Development Services	\$393,000	\$703,000	\$310,000	79%
General Overhead	\$1,892,000	\$962,000	(\$930,000)	-49%
Police	\$2,731,000	\$2,544,000	(\$187,000)	-7%
Parks & Recreation	\$1,508,000	\$1,860,000	\$352,000	23%
Total General Fund	\$10,771,000	\$12,271,000	\$1,500,000	14%

Summary of All Administrative Services by Fund

Charged To	FY22 Revised	FY23 Recommended	Variance	% Change
General Fund	\$10,771,000	\$12,271,000	\$1,500,000	14%
Airport Fund	\$13,000	\$51,000	\$38,000	292%
Guest Tax Fund	\$73,000	\$94,000	\$21,000	29%
Public Transportation Fund	\$169,000	\$45,000	(\$124,000)	-73%
Water & Wastewater Fund	\$5,129,000	\$5,917,000	\$788,000	15%
Solid Waste Fund	\$2,117,000	\$2,048,000	(\$69,000)	-3%
Parking Fund	\$199,000	\$256,000	\$57,000	29%
Central Maintenance Fund	\$0	\$0	\$0	N/A
Stormwater Fund	\$464,000	\$334,000	(\$130,000)	-28%
Total	\$18,935,000	\$21,016,000	\$2,081,000	11%