



CITY OF SANTA MARIA

Section E
Internal Service
Funds

INTERNAL SERVICE FUNDS

OVERVIEW

Services provided to other City funds are budgeted and accounted separately in Internal Service Funds. These activities are administered by the Public Works and Administrative Services Departments.

Program Expenses/Revenues:

This section reports expenses by summary type: Salaries and Benefits, Services and Supplies, Debt Service, and Reserves. The historical and projected expenditure budgets are presented at the function and operation level.

Summary of Service Programs:

The cost of each activity or program within each fund is summarized and presented in this section.

Program Description:

A general description is presented for the purpose, goals, and activities of each internal service fund.

Subprograms and Their Objectives:

This section outlines how each division/subprogram accomplishes the purpose and goals of the department.

Noteworthy Budget Highlights:

This section summarizes the significant operating program changes from the prior financial plan. These changes may include major service reorganizations; the curtailment or expansion of services and/or programs; any increases or decreases in regular positions; significant one-time costs; major changes in the method of delivering services; operational changes that will impact other departments or customer service; and changes that affect current policies or noteworthy capital projects.

Government Accounting Standards Board (GASB) pronouncement 34 requires that internal service funds be allocated between governmental and business-type activities for reporting purposes. Beginning with the fiscal year ending June 30, 2005, the internal service funds were allocated to operating functions in the City's Comprehensive Annual Financial report. However, though financial reports no longer show internal service funds, this pronouncement does not advocate the elimination of internal service funds for budgeting or day-to-day operations. The City continues to use, budget and account for internal service funds.

Internal service operations are fully supported by charges to all departments based on actual cost and equipment replacement values. The summaries in this section of the budget explain the financial and staffing levels recommended for each of the City's internal service funds. Administrative responsibility for each internal service operation is as follows:

Public Works Department:

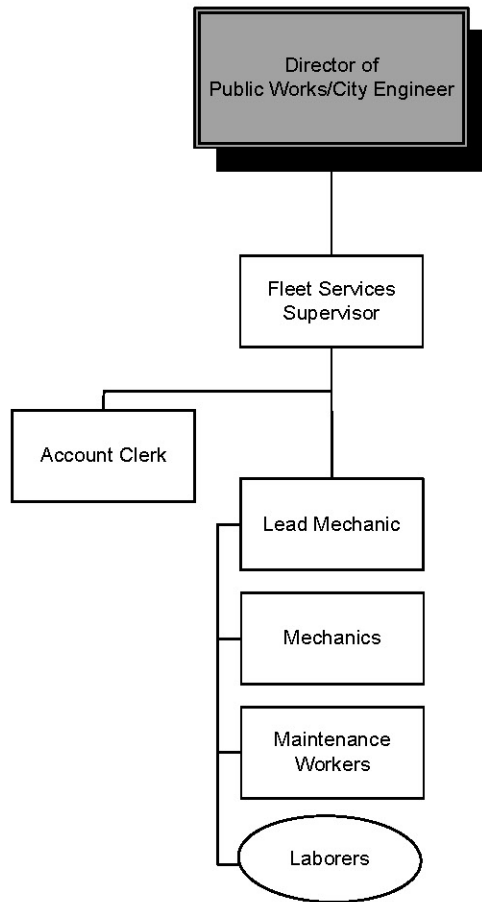
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Department of Administrative Services

Business, Communications, Telephone Equipment Replacement..... E-6

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FLEET SERVICES



The above organizational chart depicts full-time and part-time employees only



INTERNAL SERVICE FUNDS

DEPARTMENT: Public Works
DIVISION: Fleet Services

PROGRAM: Maintenance/Replacement
FUND: Fleet Services

	Actual 2012-13	Adopted 2013-14	Year-End Estimated 2013-14	Proposed 2014-15	Proposed 2015-16
<u>PROGRAM EXPENSES/REVENUES</u>					
Salaries & Benefits	\$ 661,500	\$ 720,440	\$ 671,100	\$ 752,920	\$ 763,650
Services & Supplies	2,743,110	3,486,740	2,951,870	3,490,110	3,495,850
Total Operating Cost	3,404,610	4,207,180	3,622,970	4,243,030	4,259,500
Capital	736,060	3,424,000	5,870,000	1,347,000	3,389,000
Debt Service		686,330	686,330	686,330	686,330
Transfers	118,260	118,260	118,260	1,621,960	121,790
Total Cost	\$ 4,258,930	\$ 8,435,770	\$ 10,297,560	\$ 7,898,320	\$ 8,456,790
<u>PROGRAM EXPENSES/REVENUES</u>					
Maintenance & Replacement	\$ 4,258,930	\$ 8,435,770	\$ 10,297,560	\$ 7,898,320	\$ 8,456,790
Total Service Programs	\$ 4,258,930	\$ 8,435,770	\$ 10,297,560	\$ 7,898,320	\$ 8,456,790
<u>FULL-TIME</u>					
Account Clerk I	1	1	1	1	1
Equipment Mechanic I/II	2	2	2	2	2
Field Mechanic	1	2	2	2	2
Fleet Services Supervisor	1	1	1	1	1
Lead Mechanic	1	1	1	1	1
Maintenance Worker I	1	1	1	1	1
TOTAL	7	8	8	8	8
<u>PART-TIME</u>					
Laborer III	0	0	0	2	2
	0	0	0	2	2
GRAND TOTAL	7	8	8	10	10
<u>TEMPORARY (FTE)</u>					
General Laborer	0.5	0.5	0.5	0.5	0.5
TOTAL TEMPORARY (FTE)	0.5	0.5	0.5	0.5	0.5

PROGRAM DESCRIPTION

The Fleet Services Division's goal is to provide a program that is user friendly, fiscally responsible, provides City departments with adequate and effective equipment, and provides an element of control in the financing of the City's Annual Fleet Equipment Program.

INTERNAL SERVICE FUNDS

DEPARTMENT: Public Works
DIVISION: Fleet Services

PROGRAM: Maintenance/Replacement
FUND: Fleet Services

SUBPROGRAMS AND THEIR OBJECTIVES

Preventive Maintenance Program

The Fleet Services Preventive Maintenance Program provides an established maintenance schedule for each vehicle and piece of equipment. All vehicles and equipment are maintained at or above industry standards. Public safety vehicles and equipment are maintained by City mechanical staff, as are the solid waste collection trucks and the landfill disposal equipment. All other City-owned equipment and vehicles are maintained through outside contract services. To ensure that these standards are met, staff administers outside service contracts and provides force account supervision.

Equipment Replacement Program

The Fleet Services Equipment Replacement Program is structured to accommodate the changing needs of the organization. All vehicles and equipment that are due for replacement, based on a predetermined schedule, are annually evaluated and recommended for replacement or extended life. The objective is to maximize the useful life efficiency curve for vehicles and equipment on the replacement list. As part of this process, staff performs the research element of developing specifications for any given vehicle or equipment need, as in the case of a vehicle or equipment type change and provides associated cost estimates to be used for budgeting purposes.

Automated Fueling Program

The City-owned internal fueling system is comprised of an acquisition and distribution system maintained by Fleet Services. The system is computerized and provides critical data necessary to develop the scheduling of preventive maintenance. Outside public transportation agencies are authorized the use of the fueling system. The fuel cost to agencies includes an associated administrative fee, which offsets the ever-increasing cost of fuel, paid for by the City, and provides a reduced per gallon cost for participating public transportation agencies.

Testing Programs

Fleet Services provides a Biennial Inspection Terminal (BIT) Program. The BIT Program, regulated by the California Highway Patrol (CHP), is for medium and heavy-duty truck safety inspections. The City is a certified BIT facility, which requires all fleet trucks over 26,000 pounds Gross Vehicle Weight Rating (GVWR) to have a safety inspection every 90 days. The CHP requires that all safety inspections and repairs are documented and kept on file for a two-year period. The CHP also conducts biennial inspections of facilities and records.

Fleet Services supervises the Diesel Engine Smoke Test, which is annually required for all diesel powered trucks over 6,000 pounds GVWR, and regulated by the California Air Resources Board. All test records are required to remain on file for a two-year period.

Fleet Services oversees the Annual Smog Test Program and notifies each department of those vehicles that need to be smog tested. A report is sent to the State of California, Department of Consumer Affairs at the end of each calendar year.

Fleet Services also oversees the Diesel Engine Particulate Matter Program. The State of California Air Resources Board under Title 13 regulations requires that all fleet equipment with a diesel engine over 25-horse power, be retired, replaced, or retro-fitted with a particulate trap. The cost is approximately \$13,000 per unit for a retro-fit device.

INTERNAL SERVICE FUNDS

DEPARTMENT: Public Works
DIVISION: Fleet Services

PROGRAM: Maintenance/Replacement
FUND: Fleet Services

NOTEWORTHY BUDGET HIGHLIGHTS

- In the past decade, the City's fleet has increased in size and operational needs for vehicle and equipment service has grown with increased volumes of police patrol, fire apparatus, parks, solid waste collection and disposal equipment. Some of these newer vehicles are diesel powered and have the latest technology for emission systems. These new systems use a fluid to augment the diesel fuel called DEF "Diesel Exhaust Fluid." Fleet Services will be retrofitting the current refueling facility to include a DEF dispenser to accommodate these emission requirements.
- A new backup generator will be installed to replace the current 37-year-old generator that supports the Public Works facility. This generator will provide backup power in the event of power failures or in times of disaster. The City's refueling facility will be supported by this new generator. Public safety vehicles, transit buses, refuse trucks, and City utility vehicles will be able to be refueled during these unexpected events and will be able to continue to provide essential City services.
- In 2015-16, the purchase of a Caterpillar D8 bulldozer is scheduled, as a replacement vehicle. This unit is estimated to cost approximately \$1 million. The dozer is used extensively at the Santa Maria Regional Landfill to position and bury refuse. The existing unit is seven years old and is nearly at the end of its useful life. At the time of replacement, the existing unit will have an extended life of two years beyond the original replacement date.
- Sixty-eight pieces of equipment are proposed to be purchased during the two-year budget, at \$1.3 million in 2014-15 and \$3.4 million in 2015-16.
- The amount of budget transfers is increasing by \$1.5 million in 2014-15 for Fleet's proportional share of the City's radio system upgrade. The Information Technology Division has identified Fleet's proportionate share to include: digital radios, bases stations, antennas, hand-held radios, and support hardware and software. This upgrade ensures that the Fleet Division remains compatible with the City's radio infrastructure.



In 2015-16 a large capital purchase is being required. Staff is proposing that a Caterpillar D8T be purchased at a cost of \$1 million, using the Fleet Replacement Fund. The current unit is coming to the end of its useful life, has been evaluated and is recommended for replacement.

INTERNAL SERVICE FUNDS

DEPARTMENT: Administrative Services
DIVISION: Business, Communications and Telephone Equipment

PROGRAM: Maintenance/Replacement
FUND: Business Equipment Replacement

	Actual 2012-13	Adopted 2013-14	Year-End Estimated 2013-14	Proposed 2014-15	Proposed 2015-16
<u>PROGRAM EXPENSES/REVENUES</u>					
Salaries & Benefits	\$ 827,160	\$ 1,014,840	\$ 995,870	\$ 1,028,840	\$ 1,028,840
Services & Supplies					
Total Operating Cost	827,160	1,014,840	995,870	1,028,840	1,028,840
Capital	560,690	888,570	830,250	417,470	293,130
Debt Service					
Transfers	10,590	10,590	10,590	33,930	10,930
Total Cost	\$ 1,398,440	\$ 1,914,000	\$ 1,836,710	\$ 1,480,240	\$ 1,332,900

SUMMARY OF SERVICE PROGRAMS

Maintenance & Replacement	\$ 1,398,440	\$ 1,914,000	\$ 1,836,710	\$ 1,480,240	\$ 1,332,900
Total Service Programs	\$ 1,398,440	\$ 1,914,000	\$ 1,836,710	\$ 1,480,240	\$ 1,332,900

PROGRAM DESCRIPTION

The Equipment Replacement Fund is an Internal Service Fund administered by the Department of Administrative Services.

This fund was established to finance the replacement of old, inefficient, or obsolete business equipment with new equipment. The types of business equipment replaced through this fund are: computers, copiers, printers, fax machines, scanners, and other office support-related equipment.

The expected life span of the equipment is the determining factor in calculating the cost charged to departments/program using the equipment. The pro-rata cost is charged through an internal service charge over the life of the equipment.

GOALS AND OBJECTIVES

- Since 2008-09, replacement of equipment has been on a mission critical basis, and fund allocations were temporarily suspended through 2013-14 to allow relief to the General Fund. However, many of the City's business equipment has reached the end of its useful life. Consequently, scheduled replacements will be made in 2014-15.

NOTEWORTHY BUDGET HIGHLIGHTS

- Appropriations will decline by \$434,000 in 2014-15, primarily due to the fluctuation in the expected life and replacement schedules of business equipment. If needed, additional appropriations will be requested when business equipment requires replacement.

INTERNAL SERVICE FUNDS

DEPARTMENT: City Manager

PROGRAM: Risk Management

DIVISION: Liability, Workers' Compensation

FUND: Insurance Funds

Insurance, and Unemployment Insurance

	Actual 2012-13	Adopted 2013-14	Year-End Estimated 2013-14	Proposed 2014-15	Proposed 2015-16
<u>PROGRAM EXPENSES/REVENUES</u>					
Salaries & Benefits	\$ 173,960	\$ 194,940	\$ 194,620	\$ 269,090	\$ 271,630
Services & Supplies	4,721,220	2,744,880	3,187,260	2,804,990	2,804,990
Total Operating Cost	4,895,180	2,939,820	3,381,880	3,074,080	3,076,620
Capital					
Debt Service					
Transfers	103,150	103,150	103,150	106,370	106,370
Total Cost	\$ 4,998,300	\$ 3,042,970	\$ 3,485,030	\$ 3,115,280	\$ 3,117,820

<u>SUMMARY OF SERVICE PROGRAMS</u>					
Liability Program	\$ 1,723,990	\$ 1,445,820	\$ 2,133,880	\$ 1,583,080	\$ 1,585,620
Workers' Compensation Program	3,274,340	1,597,150	1,351,230	1,597,370	1,597,370
Total Service Programs	\$ 4,998,330	\$ 3,042,970	\$ 3,485,030	\$ 3,180,450	\$ 3,182,990

<u>SUMMARY OF POSITIONS</u>					
<u>FULL-TIME</u>					
Risk Manager	1	1	1	1	1
TOTAL	1	1	1	1	1
GRAND TOTAL	1	1	1	1	1

PROGRAM DESCRIPTION

The City Manager's Office administers the Insurance Funds. Funding for the various programs is generated by allocations to operating departments based on historical use of insurance resources and exposure to risk. These appropriations do not represent additional costs to the City, but rather report the manner in which departmental allocations will be spent.

SUBPROGRAMS AND THEIR OBJECTIVES

Risk Management

Analyze general liability claims experience and ensure that adequate reserves are maintained.

Review and administer employee workers' compensation injury claims to limit City exposure.

Implement programs and coordinate efforts to identify and analyze loss exposures and control risk. Provide resources to departments regarding risk control options and techniques.

Property, Liability and Workers' Compensation Insurance

Property of the City and the Successor Agency to the Redevelopment Agency of the City of Santa Maria is generally covered for all risks, with a per occurrence limit of \$1 billion. The property insurance is administered through the Public Entity Insurance Program and the self-insured retention is \$10,000 per claim.

INTERNAL SERVICE FUNDS

DEPARTMENT: City Manager

PROGRAM: Risk Management

DIVISION: Liability, Workers' Compensation

FUND: Insurance Funds

Insurance, and Unemployment Insurance

Liability claims expenses over the City's self-insured retention of \$250,000 per claim are insured with the Exclusive Risk Management Authority of California up to \$50 million per occurrence effective July 2014. The City's third party administrator for liability-related matters is Carl Warren and Associates.

The City self-insures workers' compensation claims and obtains excess workers' compensation insurance through the Local Agency Workers' Compensation Excess Joint Powers of Authority for all claims in excess of \$500,000. The City's third party administrator for workers' compensation insurance is York Insurance Services.

Insurance Benefits

Review and administer the City's health and non medical-related insurance programs.

Unemployment Insurance

The City is self-insured for unemployment claims. The State Employment Development Department processes all unemployment claims and bills the City for actual costs.

PERFORMANCE/WORKLOAD MEASURES	ACTUAL 2010-12	ESTIMATED 2012-14	PROJECTED 2014-16
DEMAND/WORKLOAD			
Workers' Compensation Claims Processed	155	192	195
EFFECTIVENESS/EFFICIENCIES			
Safety Inspections/Ergonomic Evaluations	15	12	12
Wellness Workshops	8	8	8

GOALS AND OBJECTIVES

- Continue to refine Web-based training options (video streaming and webinars) for safety-related training, as well as enhance training by coordinating multiple participants at one site for employee group communication and feedback.
- Coordinate with the Employee Assistance Program provider and other training resources in providing staff development training for library personnel.
- Provide various departments with a Police Department-developed training program on active shooter as well as a violence in the workplace training.

NOTEWORTHY BUDGET HIGHLIGHTS

- For the past five years, as a cost saving measure, the General Fund has deferred its cost allocations to the Self Insurance Workers' Compensation Fund. However, this has significantly reduced the fund balance. Starting in 2014-15, the General Fund will increase its cost allocations by \$500,000 annually to help begin to replenish the fund. Cash has declined from \$10.5 million to \$8 million.
- Staff is proposing to hire a temporary program manager to work on project specific liability related matters in an effort to reduce the City's liability exposure.