

INTERNAL SERVICE FUNDS

CITY OF BROOKFIELD

Risk Management Internal Service Fund

Under Government Accounting Standards Board (GASB) Statement No. 10, risk management activities of a governmental entity can be accounted for in either the General Fund or an Internal Service Fund, if one fund is used. The City uses the Risk Management Internal Service Fund for budgeting such costs. Under this model, operating departments in the various City funds receive a charge from the Risk Management fund, and all costs (premiums, claims, and related) are reflected in a single fund. This allows for better accounting and monitoring of the City's risk management costs.

Costs accounted for in this fund include premiums and claims costs for:

- General Liability insurance
- Excess Liability insurance
- Property/casualty insurance
- Auto Physical Damage insurance
- Employment Practices Liability insurance
- Worker's Compensation insurance

General liability, auto physical damage, and worker's compensation insurance is provided through the Cities and Villages Mutual Insurance Company (CVMIC), a municipal insurance pool. For the general liability coverage, the City retains exposure to losses for liability claims up to \$50,000 per occurrence, with a \$200,000 yearly claims payment maximum. The general liability policy provides coverage for "third-party" claims for auto and other forms of damages. On a group purchase basis, the city obtains Excess Liability and Employment Practices Liability insurance coordinated through CVMIC. Property insurance is obtained via third party commercial insurance coverage. In addition to premiums and claims within the City's self-insured retention, other liability insurance costs that may be paid from this fund include claims outside the scope of the policy or coverage period or litigation expenses related to defending the City against claims.

Risk management charges to operating departments are based on factors such as number of automobiles used, stated value of buildings and contents and employee salaries. Claims experience for worker's compensation is also considered in the risk management allocation. A portion of the City's liability insurance premium is attributable to vehicles, and is allocated along with the physical damage premium. The remainder of the liability insurance premium is combined with an estimate of claims cost (including legal and administration) and allocated accordingly to individual funds.

The City receives a dividend from the general liability program provided by CVMIC based on its member participation percentage, experience, and other factors. In addition, dividends are available from the CVMIC auto physical damage (APD) program based on individual participant and overall program experience. At the time of budget preparation, the CVMIC board of directors had declared dividends for 2018 (based on 2017 financial results) to be paid in 2019 for the liability program in the amount of \$18,972 (recorded as 2018 revenue). No dividend was declared for the APD program due to poor claims experience. The dividend budgeted for 2019 is the same as the 2018 actual revenue, which is the best estimate of such revenues at this time.

CITY OF BROOKFIELD
2019 Risk Management Internal Service Fund Budget

Fund 105 - Risk Management Fund			2017	2018	2018 YTD	2018	2019	Percent
			Actual	Adopted	08/31/18	Estimated	Budgeted	Change
REVENUES								
CHARGES TO OTHER FUNDS								
GENERAL CITY OPERATIONS	105426	495000	\$ 620,557	\$ 582,584	\$ 396,969	\$ 582,584	\$ 610,961	
SEWER FUND	105426	496000	89,611	113,064	67,002	113,064	117,554	
WATER FUND	105426	496500	49,112	52,070	34,713	52,070	55,189	
INSURANCE RECOVERIES	105430	465500	83,230	116,140	67,772	83,500	112,520	
TOTAL REVENUES			842,510	863,858	566,456	831,218	896,224	6.4%
EXPENSES								
<u>Operating Expenses</u>								
GENERAL LIABILITY INSURANCE	10510504	550920	93,098	95,400	95,112	95,112	97,128	
PROPERTY/CASUALTY INSURANCE	10510504	550921	159,728	172,118	63,626	163,091	174,355	
WORKERS COMPENSATION	10510504	550922	450,805	399,249	325,004	411,365	434,633	
EMPLOYMENT PRACTICES LIABILITY	10510504	550924	17,033	18,736	14,808	14,808	14,808	
ADMINISTRATIVE COSTS	10510521	599001	690	2,500	2,654	3,900	4,000	
CLAIMS EXPENSE (retained claims costs)	10510521	599002	15,147	40,240	52,218	60,000	40,620	
CLAIMS EXPENSE (recoverable)	10510521	599006	70,026	116,140	34,739	81,300	112,520	
CLAIMS EXPENSE (property deductible)	10510521	599008	4,161	48,450	46,502	46,800	25,000	
Sub-total operating expenses			810,688	892,833	634,663	876,376	903,064	11.4%
<u>Non-Operating Revenue/(Expenses)</u>								
CVMIC DIVIDEND INCOME	105430	466800	39,187	39,187	18,972	18,972	18,972	
Sub-total non-operating revenue/(expenses)			39,187	39,187	18,972	18,972	18,972	-51.6%
TOTAL EXPENSES			771,501	853,646	615,691	857,404	884,092	14.6%
NET INCOME (LOSS)			71,009	10,212	(49,235)	(26,186)	12,132	
FUND BALANCE, JANUARY 1			2,076,126	2,147,135		2,147,135	2,120,949	
FUND BALANCE, DECEMBER 31			\$ 2,147,135	\$ 2,157,347		\$ 2,120,949	\$ 2,133,081	

CITY OF BROOKFIELD

Health Insurance Internal Service Fund

The purpose of an Internal Service Fund is “to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.” Beginning in 2003, the City made a policy decision to self-fund the health insurance program offered to City employees. Costs of the program are accounted for in an Internal Service Fund, in which the services provided under the health insurance program are billed to the funds benefiting from the service.

The amounts billed to departments (or participating retirees as the case may be) and the amounts of expense recognized by the Health Insurance Internal Service Fund should be approximately the same over a reasonable period. If the fund incurs a deficit that is not expected to be eliminated over a reasonable period of time, additional premiums will be billed to the participating funds to cover the full cost of claims recognized as expenses.

Health Insurance Fund revenues come from four sources:

- City contribution for active employees.
- Active employee contributions.
- City contribution for retired employees (per applicable union contract or other agreement).
- Retired employee contributions.

Charges to the operating departments are based on the number of active employees who participate in the City health insurance program. An estimated premium is calculated based on actuarial data, and the premium, either single, single plus one or family, is applied to the number of each type of participant by department and a portion (80 – 85%) of the cost is billed to the department. The remainder of the premium, at varying shares dependent on employee group, is paid by employees and recovered through a pretax payroll deduction. Employees who participate in the City’s wellness program are eligible to receive a reduction in the employee contribution.

Qualifying retirees may continue in the City health insurance program. They are responsible to make payment to the City prior to the beginning of the month of coverage. The City funds a portion of retired police officers, firefighters and certain former American Federation of State, County, and Municipal Employees (AFSCME) members health insurance benefits based on the terms of their negotiated agreements. The Special Revenue fund established to set aside monies for future retiree insurance costs is billed monthly for the contribution related to the qualifying retirees. These groups of employees are only responsible to the City for the balance of the calculated premium, net of the amount of City contribution made on their behalf. Non-represented employees retiring from City service may access the City health insurance program at their sole cost upon meeting certain age and years of service criteria.

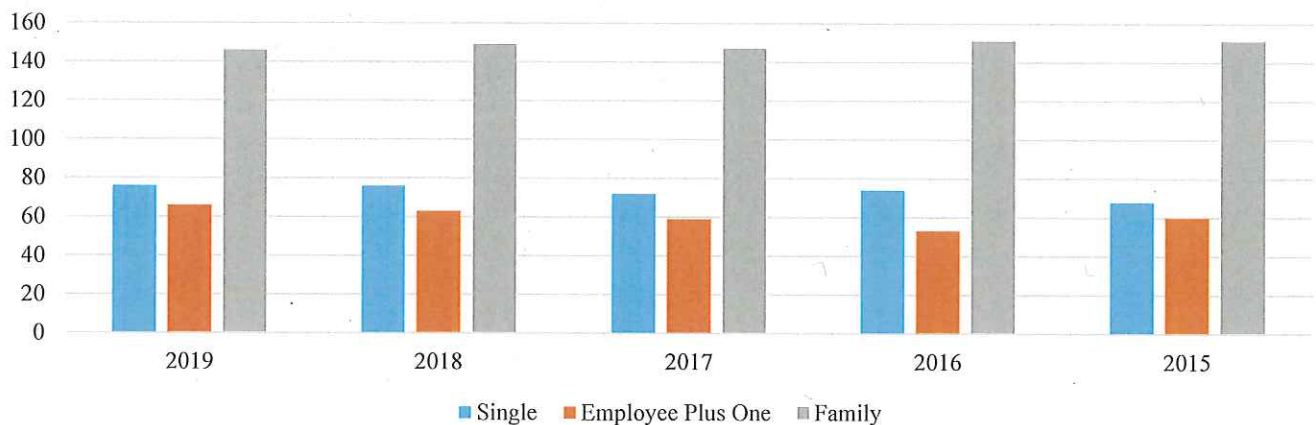
BUDGET SUMMARY:

As indicated above, the City has provided employee health insurance on a self-funded basis since 2003. Worse than expected claims experience in 2003, 2004, 2016 and 2017 resulted in deficits

of claims/premium costs over budgeted premium equivalent funding from the City, employees and retirees of \$555,000, \$445,000, \$445,000 and \$421,000, respectively. Such deficits were funded by additional premium charges to department budgets and transfers from the general fund in those years. The City's claims experience since 2005 had been generally positive, particularly with a change in third party administrator at the beginning of 2010 with access to improved provider discounts, but recent claims trend reflects somewhat worse experience and increasing health care cost inflation.

- 1). Projected revenues for 2019 are increasing by 3.4% over the adopted 2018 budget, based on a projected 2.5% increase in premium funding rates based on preliminary estimates from the City's health insurance consultant and current employee/retiree coverage elections. Plan selections of eligible employees and retirees impact health plan revenues, and anticipated actual retiree contributions for 2018 are slightly lower due to decreased participation in the City's plan while 2019 contributions are slightly higher due to increasing cost of insurance premiums.
- 2). The 2019 budget reflects an increase in health claims expenses over 2018 estimated amounts based upon actuarial estimates obtained from the City's health insurance consultant, and a 15% increase in stop loss premiums. Actual claims costs cannot be predicted with any certainty and the amount is primarily included for informational purposes.
- 3). The 2019 budget reflects continued increase in participation for the employee plus one plan option which was originally made available to employees in 2011. 2019 plan selections for this level of coverage have increased to 22.9% of total enrollment, compared with 21.9% estimated for the 2018 budget when developed. Single coverage plan selections have remained at 26.4%, and family coverage selection has decreased from 51.7% in 2018 to 50.7% in 2019. The graph below is a pictorial representation of plan coverage levels from 2015 to 2019.

HEALTH INSURANCE PLAN SELECTIONS



CITY OF BROOKFIELD
2019 Health Insurance Internal Service Fund Budget

Fund 106 - Health Insurance Fund			2017 Actual	2018 Adopted	2018 YTD 08/31/18	2018 Estimated	2019 Budgeted	Percent Change
REVENUES								
CITY CONTRIBUTION - EMPLOYEES	106426	495400	\$ 4,359,480	4,882,626	3,198,542	\$ 4,941,200	\$ 5,064,730	
CITY CONTRIBUTION - RETIREES	106426	495500	99,000	137,775	94,750	144,500	161,100	
RETIREE CONTRIBUTIONS	106426	495600	198,461	253,936	183,110	246,190	252,350	
EMPLOYEE CONTRIBUTIONS	106426	495700	495,478	543,801	355,817	545,245	558,874	
MISC SUNDRY REVENUES	106430	465000	13,258	-	134,525	144,000	-	
TRANSFERS FROM OTHER FUNDS	106453	475100	200,000	-	-	-	-	
TOTAL REVENUES			<u>5,365,677</u>	<u>5,818,138</u>	<u>3,966,744</u>	<u>6,021,135</u>	<u>6,037,054</u>	<u>3.8%</u>
EXPENSES								
<u>Operating Expenses</u>								
ADMINISTRATIVE COSTS	10610621	599001	23,606	25,709	6,184	9,995	9,995	
CLAIMS EXPENSE	10610621	599002	4,330,393	4,257,480	2,568,003	4,076,160	4,281,820	
PREMIUM EXPENSE	10610621	599003	1,195,360	1,425,600	854,441	1,253,095	1,442,100	
WELLNESS PROGRAM	10610621	599004	37,399	42,800	17,589	40,000	45,000	
HSA CITY FUNDED CONTRIBUTION	10610621	599010	-	-	18,100	25,200	25,200	
TOTAL EXPENSES			<u>5,586,759</u>	<u>5,751,589</u>	<u>3,446,216</u>	<u>5,404,450</u>	<u>5,804,115</u>	<u>0</u>
NET INCOME (LOSS)			(221,082)	66,549	520,528	616,685	232,939	
FUND BALANCE, JANUARY 1			<u>1,907,257</u>	<u>1,686,175</u>		<u>1,686,175</u>	<u>2,302,860</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 1,686,175</u>	<u>\$ 1,752,724</u>		<u>\$ 2,302,860</u>	<u>\$ 2,535,799</u>	

**FLEET SERVICES FUND
FUND 109**

DEPARTMENT: Finance

DIVISION: Fleet Services

PROGRAM MANAGER: Fleet Manager

PROGRAM DESCRIPTION:

Fleet Services provides the staff, equipment and materials necessary for efficient and effective delivery of City fleet services by providing customer agencies with safe, reliable, economical and environmentally-sound transportation and related support services that are responsive to the needs of customer departments and that conserve vehicle value and equipment investment.

SERVICES:

- Provide fleet acquisition and maintenance services for all departments except police.
- Responsible for the operation and maintenance of all fueling systems within the City.

STAFFING:

Positions (FTE)	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Budget
Fleet Manager	1.00	1.00	1.00	1.00	1.00
Lead Service Technician	1.00	0.00	0.00	0.00	0.00
Fleet Service Technician	3.00	4.00	4.00	4.00	4.00
Total	5.00	5.00	5.00	5.00	5.00

ACTIVITY MEASURES:

Activity	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Budgeted
Vehicles Maintained – Work Orders/Tasks	1,360	1,219	1,434	1,425	1,330
Hours billed per technician ¹	1,472	1,260	1,511	1,600	1,400
Maintenance and repair cost per mile (Light)	0.51	0.43	0.34	0.35	0.36
Maintenance and repair cost per mile (Heavy)	1.87	2.99	2.53	2.59	2.65
Average total cost per mile (Light)	0.62	0.59	0.53	0.54	0.55

Activity	2015 Actual	2016 Actual	2017 Actual	2018 Projected	2019 Budgeted
Average total cost per mile (Heavy)	2.81	3.62	3.15	3.15	3.25
Average cost per hour for Ambulance	This is the average cost for operating 4 ambulances 553 average hours each.			21.10	21.65
Average cost per hour for Fire Department (Pumper, Ladder)	This is the average cost for operating 5 fire trucks 550 average hours each.			60.50 ²	62.00

¹ Hours available are calculated less vacation, holiday, sick days and training hours. 2016 and 2017 hours billed were affected by a technician vacancy of 9 months.

² Major repairs were performed on Aerial Apparatus this year. There was also an engine overhaul on a pumper truck.

Note: Light vehicle types include the following: one-ton, utility, pickup trucks, sedans and vans. Heavy vehicle types include the following: tandem dump truck, patrol trucks and fire apparatus.

PERFORMANCE MEASURES:

Efficiency Rate for Billable Hours	2015 Actual	2016 Actual	2017 Actual	2018 Estimated	2019 Objective
Industry Standard	71.8%	71.8%	71.8%	71.8%	71.8%
Departmental	74.5%	61.5%	70.9%	71.5%	72.0%

OBJECTIVES ACCOMPLISHED IN 2018:

* Indicates if associated with one of the City's Comprehensive Plan short-term focus initiatives.

1. Continue to provide Pierce maintenance training for the newly hired technicians.
 - Technicians currently enrolled in classes at the Pierce training facility in Appleton, WI.
2. Research synthetic alternatives for oils and lubricants to extend time intervals on scheduled maintenance.
 - Most oil products are of a semi-synthetic blend at this time. This extends the time between service intervals.
3. Investigate purchasing alternate types of brake parts for all vehicles that are more rust resistant than parts currently available.
 - Most sedans in the motor pool that needed brake service in 2017-2018 were fitted with the rust resistant brake parts.

OBJECTIVES TO BE ACCOMPLISHED IN 2019:

* Indicates if associated with one of the City's Comprehensive Plan short-term focus initiatives.

1. Provide a quick turnaround time on maintenance service and repairs to vehicles and equipment.
2. Continue to provide fire apparatus maintenance training for technicians.
3. Continue to purchase from vendors that are part of the state and national bid pricing.
4. Maintain a lower stock inventory on parts that are available next day.

BUDGET SUMMARY:

- 1). Revenues from other departments reflect an increase from 2018 projected actual and budgeted interfund transfers for fuel to mirror the expected trend in fuel prices, although. Current forecasts for fuel prices for 2019 per the U.S. Energy Information Administration indicate higher fuel costs over the next year. The 2019 budget includes the forecasted change in prices per gallon applied to historical fuel usage (also reflected in the corresponding expense line items). Revenues for technician labor, parts and contractual services for outside labor are derived using multi-year historical averages of repair activity for vehicles and equipment maintained by the Fleet Services division. The hourly rate charged to departments for fleet maintenance services is being increased to \$85/hour for 2019 after being held flat for several years.
- 2). Salary budgets include estimated salary adjustments for non-represented staff based on the 2.5% salary adjustment factor established by the Finance Committee as part of the 2019 budget parameters, and the recommendation for the 2019 salary ordinance to be adopted by the Human Resources and Public Safety Committee and Common Council. Actual salary amounts for individual employees and the impact on department salary budgets depend on the position in salary grades, including the impact of step increases for eligible employees, and determination of satisfactory performance.
- 3). The change in the pension budget includes the impact of employer pension contribution rates from the Wisconsin Retirement System (WRS) applied to budgeted wages for eligible employees, reflecting a slight decrease in the contribution rate for general and elected employees as established by WRS. Changes in contribution rates are shared between the City and all employees.
- 4). Group insurance – health reflects an overall 2.5% change from the premium contribution charges in the 2018 budget. 2019 estimated rates were derived based on projections from the City’s insurance consultant reflecting somewhat better recent health claims experience and projection of health care cost trend. Budgets also reflect any changes in plan coverage elections for staff assigned to this division.
- 5). The change in the risk management budget (529000) results mainly from an increase in worker’s compensation premium costs for 2019, reflecting an increase in the City’s overall experience modification factor due to less favorable claims experience being reflected in the calculation of the experience modification.
- 6). Natural gas (570001) and electricity (570002) budgets have been developed utilizing the WE Energies forecasting tool. Estimates for these costs are based upon historical consumption and the WE Energies pricing prediction.
- 7). Capital outlay (601000) includes a funding allocation for replacement of the fleet services truck which is used to respond to repair and maintenance issues at locations away from the Fleet Services area at the Public Works facility. The current vehicle is 18 years old. Monies for the purchase will come from the Fleet Services fund balance.

CITY OF BROOKFIELD
2019 Fleet Services Internal Service Fund Budget

Fund 109 - Fleet Services Fund				2017	2018	2018 YTD	2018	2019	Percent
				Actual	Adopted	08/31/18	Estimated	Adopted	Change
REVENUES									
CHARGES TO OTHER FUNDS									
	109426	498000	\$ 473,936	447,990	365,341	\$ 493,840	\$ 475,990		
	109426	498100	288,059	296,480	238,426	311,022	299,550		
	109426	498200	96,264	82,590	52,515	75,370	77,250		
	109426	498300	347,781	431,291	314,917	432,815	476,262		
TOTAL REVENUES				1,206,040	1,258,351	971,199	1,313,047	1,329,052	5.6%
EXPENSES									
SALARIES/BENEFITS									
	10910901	501000	320,614	347,518	227,690	348,270	356,393		
	10910901	501400	14,030	14,950	10,350	14,950	14,950		
	10910901	502000	23,476	25,622	17,825	25,561	26,280		
	10910901	502100	21,531	23,265	16,117	23,177	23,344		
	10910901	502200	4,577	5,182	3,416	5,091	5,488		
	10910901	502700	64,021	77,607	51,739	77,609	79,547		
Sub-total				448,249	494,144	327,137	494,658	506,002	2.4%
PERSONNEL EXPENDITURES									
	10910902	503400	501	-	-	-	-		
	10910902	504000	70	70	70	70	70		
	10910902	505000	-	500	259	500	500		
	10910902	506000	2,059	2,500	389	2,500	2,500		
Sub-total				2,630	3,070	718	3,070	3,070	0.0%
OPERATING EXPENDITURES									
	10910904	520000	291	400	319	400	400		
	10910904	520001	305	450	135	270	450		
	10910904	520002	-	60	-	60	60		
	10910904	524000	3,284	5,500	1,392	5,400	5,500		
	10910904	524005	87	1,050	544	825	1,050		
	10910904	525000	132	250	150	250	300		
	10910904	527000	6,219	6,469	6,820	6,820	5,798		
	10910904	528000	599	6,106	4,446	4,600	6,100		
	10910904	529000	12,589	11,916	6,951	11,916	12,727		
	10910904	530000	3,168	4,500	1,407	3,600	5,400		
	10910904	531000	6,185	4,500	1,715	4,200	4,500		
	10910904	531002	680	1,318	501	1,318	1,318		
	10910904	533000	216,029	228,632	178,015	248,911	268,248		
	10910904	536000	121,835	185,653	127,369	174,878	200,311		
	10910904	539000	-	239,810	-	-	-		
	10910904	539003	252,675	-	218,714	251,870	254,180		
Sub-total				624,080	696,614	548,479	715,318	766,342	10.0%
CONTRACTUAL SERVICES									
	10910906	560000	108,377	87,590	43,213	80,370	82,250		
	10910906	560001	1,255	1,718	1,116	2,052	1,800		
Sub-total				109,633	89,308	44,329	82,422	84,050	-5.9%
UTILITIES									
	10910908	570001	3,467	3,341	2,974	4,059	4,045		
	10910908	570002	8,932	9,395	5,224	9,523	9,103		
	10910908	570003	1,666	1,691	1,601	1,991	2,094		
	10910908	570005	498	503	288	550	560		
Sub-total				14,563	14,930	10,087	16,123	15,802	5.8%
CAPITAL OUTLAY									
	10910909	601000	-	-	-	-	68,289		
Sub-total				-	-	-	-	68,289	
TOTAL EXPENSES				1,199,155	1,298,066	930,750	1,311,591	1,443,555	11.2%
NET INCOME (LOSS)				6,885	(39,715)	40,449	1,456	(114,503)	
FUND BALANCE, JANUARY 1				758,148	765,033		765,033	766,489	
FUND BALANCE, DECEMBER 31				\$ 765,033	\$ 725,318		\$ 766,489	\$ 651,986	