

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. 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 2021 (based on 2020 financial results) to be paid in 2022 for the liability and auto physical damage insurance programs in the amount of \$24,359 (recorded as 2021 revenue). The dividend budgeted for 2022 is essentially the same as the 2021 liability dividend, which is the best estimate of such revenues at this time. A dividend for auto physical damage is not anticipated in 2022.

CITY OF BROOKFIELD
2022 Risk Management Internal Service Fund Budget

Fund 105 - Risk Management Fund			2020	2021	YTD	2021	2022	Percent
			Actual	Adopted	09/15/21	Estimated	Adopted	Change
REVENUES								
CHARGES TO OTHER FUNDS								
GENERAL CITY OPERATIONS	105426	495000	\$ 657,944	\$ 712,728	\$ 484,655	\$ 712,728	\$ 797,469	
SEWER FUND	105426	496000	112,485	138,860	83,070	138,860	154,205	
WATER FUND	105426	496500	58,824	63,350	42,233	63,350	69,482	
INSURANCE RECOVERIES	105430	465500	122,645	112,920	65,465	90,000	100,000	
TOTAL REVENUES			951,898	1,027,858	675,424	1,004,938	1,121,156	9.1%
EXPENSES								
<u>Operating Expenses</u>								
GENERAL LIABILITY INSURANCE	10510504	550920	100,987	104,006	109,549	109,549	114,000	
PROPERTY/CASUALTY INSURANCE	10510504	550921	231,948	244,585	83,887	243,078	259,974	
WORKERS COMPENSATION	10510504	550922	511,481	550,746	497,058	550,746	632,777	
EMPLOYMENT PRACTICES LIABILITY	10510504	550924	14,427	15,870	15,881	15,881	17,500	
ADMINISTRATIVE COSTS	10510521	599001	-	1,000	-	-	1,000	
CLAIMS EXPENSE (retained claims costs)	10510521	599002	18,812	52,310	14,974	40,000	50,000	
CLAIMS EXPENSE (recoverable)	10510521	599006	86,544	112,920	69,912	100,000	100,000	
CLAIMS EXPENSE (property deductible)	10510521	599008	3,585	25,000	1,387	10,000	25,000	
Sub-total operating expenses			967,784	1,106,437	792,648	1,069,254	1,200,251	8.5%
<u>Non-Operating Revenue/(Expenses)</u>								
CVMIC DIVIDEND INCOME	105430	466800	25,768	20,850	24,359	24,539	24,500	
Sub-total non-operating revenue/(expenses)			25,768	20,850	24,359	24,539	24,500	17.5%
TOTAL EXPENSES			942,016	1,085,587	768,289	1,044,715	1,175,751	8.3%
NET INCOME (LOSS)			9,882	(57,729)	(92,865)	(39,777)	(54,595)	
FUND BALANCE, JANUARY 1			2,176,800	2,186,682		2,186,682	2,146,905	
FUND BALANCE, DECEMBER 31			\$ 2,186,682	\$ 2,128,953		\$ 2,146,905	\$ 2,092,310	

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%) 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 to 10%, and as a result, the portion billed to departments is 90% in nearly all cases.

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.

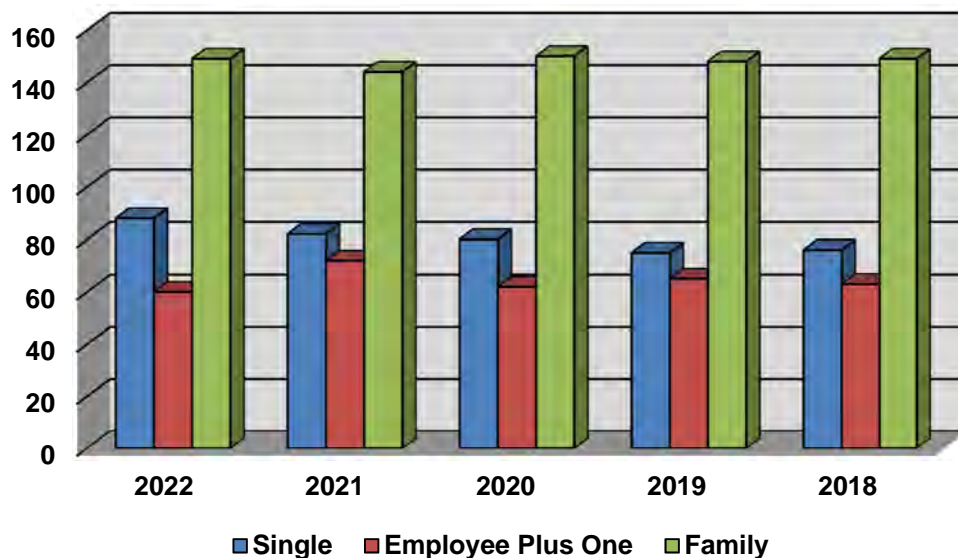
As indicated above, the City has provided employee health insurance on a self-funded basis since 2003. Worse than expected claims experience in 2003, 2004, 2016 and 2017 resulted in deficits of claims/premium costs over budgeted premium equivalent funding

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.

BUDGET SUMMARY:

- 1). Projected revenues for 2022 of \$6,841,302 are higher compared to the revised 2021 budget due to an estimated 5% increase in premium funding rates. Such estimates consider recent health claims experience, projection of health care cost trend, and the reserves built up in the health insurance fund. Plan selections of eligible employees and retirees impact health plan revenues, and anticipated actual retiree contributions for 2022 are higher due to increased number of retirees participating in the City’s plan.
- 2). The 2022 budget reflects an increase in health claims expenses over 2021 estimated amounts based on actuarial estimates obtained from the City’s health insurance consultant, including health care cost trend, and an estimated 10% increase in stop loss premiums from projected 2021 actual. Actual claims costs cannot be predicted with any certainty and the amount is primarily included for informational purposes.
- 3). The 2022 budget reflects an increase in single and family plans with a decrease in single plus one participation. Employee plus one was introduced in 2011. Participation in the single coverage option increased slightly to 29.6% in the 2022 budget, up from 27.5% from 2021. Family coverage increased to 50.2% versus 48.3% in 2021. Employee plus one decreased to 20.2% in the 2022 budget versus 24.2% in 2021. The graph below is a pictorial representation of plan coverage levels from 2018 to 2022.

Health Insurance Plan Selections



CITY OF BROOKFIELD
2022 Health Insurance Internal Service Fund Budget

Fund 106 - Health Insurance Fund			2020	2021	YTD	2021	2022	Percent
			Actual	Adopted	09/15/21	Estimated	Adopted	Change
REVENUES								
CITY CONTRIBUTION - EMPLOYEES	106426	495400	4,947,363	5,107,432	3,580,953	5,007,530	5,425,490	
CITY CONTRIBUTION - RETIREES	106426	495500	153,450	152,700	124,825	167,100	203,150	
RETIREE CONTRIBUTIONS	106426	495600	323,774	354,256	304,850	386,710	390,180	
EMPLOYEE CONTRIBUTIONS	106426	495700	530,732	555,321	365,088	546,000	582,482	
MISC SUNDRY REVENUES	106430	465000	206,809	220,000	192,291	255,000	240,000	
TOTAL REVENUES			6,162,128	6,389,709	4,568,007	6,362,340	6,841,302	7.1%
EXPENSES								
Operating Expenses								
ADMINISTRATIVE COSTS	10610621	599001	8,918	10,126	7,333	10,126	10,250	
CLAIMS EXPENSE	10610621	599002	4,231,665	4,685,203	3,826,318	4,888,600	5,010,200	
PREMIUM EXPENSE	10610621	599003	1,758,174	2,062,383	1,212,685	1,618,500	1,859,900	
WELLNESS PROGRAM	10610621	599004	55,664	50,000	23,234	50,000	50,000	
HSA CONTRIBUTION	10610621	599010	52,600	52,800	43,400	57,600	56,400	
Sub-total operating expenses			6,107,021	6,860,512	5,112,971	6,624,826	6,986,750	1.8%
TOTAL EXPENSES			6,107,021	6,860,512	5,112,971	6,624,826	6,986,750	1.8%
NET INCOME (LOSS)			55,107	(470,803)	(544,964)	(262,486)	(145,448)	
FUND BALANCE, JANUARY 1			<u>2,823,932</u>	<u>2,879,039</u>		<u>2,879,039</u>	<u>2,616,553</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 2,879,039</u>	<u>\$ 2,408,236</u>		<u>\$ 2,616,553</u>	<u>\$ 2,471,105</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)	2018 Actual	2019 Actual	2020 Actual	2021 Actual	2022 Budget
Fleet Manager	1.00	1.00	1.00	1.00	1.00
Fleet Service Technician	4.00	4.00	3.00	3.00	3.00
Total	5.00	5.00	4.00	4.00	4.00

ACTIVITY MEASURES:

Activity	2018 Actual	2019 Actual	2020 Actual	2021 Projected	2022 Budgeted
Vehicles Maintained – Work Orders	1,238	1,203	1,101	1,092	1,092
Hours billed per mechanic ¹	1,243	1,269	1,630	1,664	1,519
Maintenance and repair cost per mile (Light)	0.35	0.33	0.37	0.39	0.40
Maintenance and repair cost per mile (Heavy)	1.94	2.67	2.14	2.19	2.20
Average total cost per mile (Light)	0.44	0.49	0.56	0.59	0.59
Average total cost per mile (Heavy)	2.55	3.24	2.63	2.69	2.70

Activity	2018 Actual	2019 Actual	2020 Actual	2021 Projected	2022 Budgeted
Average cost per hour for Ambulance	This is the average cost for operating 4 ambulances 743 average hours each.			20.00	20.46
Average cost per hour for Fire Department (Pumper, Ladder)	This is the average cost for operating 5 fire trucks 688 average hours each.			39.00	41.50

¹ Hours available are calculated less vacation, holiday, sick days and training hours. A technician on injury/light duty affected 2018-2019 Hours billed for 6 months and a 2 month technician vacancy. 2020 Hours billed is higher due to no training done for fire apparatus due to cancelled classes (COVID 19). There are currently no classes scheduled for 2021.

Note: Light vehicle types include the following: one-ton, utility, pickup trucks, sedans and vans. Heavy vehicle types include the following: tandem dump truck and patrol trucks. Fire equipment/apparatus is charged per hour of operation.

PERFORMANCE MEASURES:

Efficiency Rate for Billable Hours	2018 Actual	2019 Actual	2020 Actual	2021 Projected	2022 Budgeted
Industry Standard	71.8%	72.12%	85.0%	85.0%	85.0%
Departmental	73.4%	82.2%	89.2%	90.0%	90.0%

OBJECTIVES ACCOMPLISHED IN 2021:

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

1. Continue to provide fire apparatus maintenance training for technicians.
 - Due to COVID19 there were no classes available for technicians to attend.
2. Keep a positive attitude within Fleet Maintenance employees.
 - All employees have a great working relationship with each other.
3. Continue looking for purchasing agencies that use state and national purchasing.
 - There have been several new purchasing agencies that have become available for government use, and staff works with the vendors that the City uses to make sure that they are part of the purchasing programs.
4. Look into how vehicles are replaced to determine whether it makes more sense to retain them longer or replace sooner before repairs outweigh the resale value.
 - Vehicle maintenance plays an important role in the longevity of a vehicle/equipment. Making sure that proper maintenance schedules are followed will add several years to the vehicle/equipment.

OBJECTIVES TO BE ACCOMPLISHED IN 2022:

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

1. Work with department supervisors to get vehicle/equipment in at the proper time for maintenance.
2. Continue to find available training for technicians.

3. Focus on managing inventory of parts for vehicle/equipment given supply chain disruptions.
4. Work with department supervisors to achieve frequent washing of vehicle/equipment undercarriage to slow down the progression of rust on the frames and bodies of vehicle/equipment/trailers.

BUDGET SUMMARY:

- 1). Revenues from other departments reflects an increase from 2021 projected actual interfund transfers for fuel to mirror the expected trend in fuel prices, reflecting current forecasts for fuel prices for 2022 per the U.S. Energy Information Administration. The 2022 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 remains at \$85/hour for 2022.
- 2). 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.
- 3). Group insurance – health reflects a 5% change from the premium contribution charges in the 2021 budget. 2022 estimated rates have been derived based on preliminary projections from the City’s insurance consultant reflecting recent health claims experience, projection of health care cost trend, and the reserves built up in the City’s health insurance fund. Budgets also reflect any changes in plan coverage elections for staff assigned to this division.
- 4). The change in the risk management budget (529000) results mainly from increased worker’s compensation costs due to a substantial increase in the experience modification factor, reflecting higher claims experience in recent years.
- 5). Contracted services (560000) includes additional funding for repair services that are outsourced to outside vendors due to specialized needs or time constraints, and budget has been increased to reflect recent trends in such costs.
- 6). Natural gas (570001) and electricity (570002) budgets have been developed using a model that considers historical consumption and current rates per WE Energies billings. The WE Energies forecasting tool utilized in prior years was not available due to billing software changes by WE Energies that rendered the forecast tool unusable.

CITY OF BROOKFIELD
2022 Fleet Services Internal Service Fund Budget

Fund 109 - Fleet Services Fund			2020	2021	YTD	2021	2022	Percent
			Actual	Adopted	09/15/21	Estimated	Adopted	Change
REVENUES								
CHARGES TO OTHER FUNDS								
VEHICLE LABOR	109426	498000	408,860	382,500	288,155	411,840	382,490	
VEHICLE PARTS	109426	498100	341,818	334,210	287,066	357,630	349,730	
VEHICLE CONTRACTUAL SERVICES	109426	498200	209,465	83,380	84,109	108,240	108,240	
GAS AND DIESEL	109426	498300	300,385	436,458	296,955	441,150	517,450	
TOTAL REVENUES			1,260,528	1,236,548	956,285	1,318,860	1,357,910	9.8%
EXPENSES								
SALARIES/BENEFITS								
SALARIES	10910901	501000	305,689	291,520	198,974	294,329	305,479	
RHS PAYMENTS	10910901	501400	12,650	11,960	8,280	11,960	11,960	
FICA TAX	10910901	502000	22,792	21,851	15,154	21,945	22,893	
PENSION	10910901	502100	20,405	19,679	13,723	19,752	19,857	
GROUP INSURANCE- OTHER	10910901	502200	3,261	3,233	2,268	3,229	3,237	
GROUP INSURANCE- HEALTH	10910901	502700	53,397	44,404	31,453	44,404	46,511	
Sub-total			418,194	392,647	269,851	395,619	409,937	4.4%
PERSONNEL EXPENDITURES								
DUES/SUBSCRIPTIONS	10910902	504000	70	70	-	-	70	
MEETINGS, CONFERENCES & TRAVEL	10910902	505000	-	3,000	-	-	3,000	
EDUCATIONAL TRAINING	10910902	506000	-	250	149	149	250	
Sub-total			70	3,320	149	149	3,320	0.0%
OPERATING EXPENDITURES								
OFFICE SUPPLIES	10910904	520000	265	400	143	350	400	
POSTAGE	10910904	520001	7	450	10	80	390	
COPYING	10910904	520002	-	60	57	120	120	
MATERIALS & SUPPLIES	10910904	524000	3,577	5,500	1,351	5,400	5,500	
MATERIALS & SUPPLIES-MAINTENANCE	10910904	524005	1,125	1,500	739	1,500	1,500	
COMPUTER SUPPLIES	10910904	525000	129	250	48	200	250	
COMPUTER SOFTWARE MAINTENANCE	10910904	527000	3,823	3,182	2,657	2,700	3,300	
GROUNDS & MAINTENANCE	10910904	528000	3,516	5,000	2,456	5,000	5,000	
RISK MANAGEMENT	10910904	529000	11,842	11,565	7,710	11,565	13,203	
UNIFORMS	10910904	530000	2,256	2,800	1,346	2,300	2,800	
EQUIPMENT	10910904	531000	4,430	4,500	4,641	4,641	4,500	
SAFETY EQUIPMENT	10910904	531002	1,084	1,612	597	1,596	1,596	
GASOLINE	10910904	533000	169,495	237,521	168,355	282,980	277,730	
DIESEL FUEL	10910904	536000	115,461	191,297	117,749	187,570	232,040	
REPAIR PARTS-INVENTORY	10910904	539003	277,230	287,330	261,389	310,230	303,050	
Sub-total			594,241	752,967	569,248	816,232	851,379	13.1%

Fund 109 - Fleet Services Fund				2020	2021	YTD	2021	2022	Percent
				Actual	Adopted	09/15/21	Estimated	Adopted	Change
CONTRACTUAL SERVICES									
CONTRACTUAL SERVICES	10910906	560000		214,485	88,380	73,706	113,240	113,240	
CONTRACTUAL SERVICES-MAINTENANCE	10910906	560001		1,744	2,800	1,878	3,000	3,200	
Sub-total				216,229	91,180	75,585	116,240	116,440	27.7%
UTILITIES									
NATURAL GAS	10910908	570001		2,656	3,093	3,640	4,570	4,120	
ELECTRICITY	10910908	570002		8,929	9,301	5,193	7,920	8,260	
TELEPHONE	10910908	570003		2,246	1,895	1,406	1,895	1,913	
WATER/SEWER	10910908	570005		496	513	280	530	540	
Sub-total				14,327	14,802	10,518	14,915	14,833	0.2%
TRANSFERS TO OTHER FUNDS	10910909	591000		400,000	-	-	-	-	
Sub-total				400,000	-	-	-	-	NA
CAPITAL OUTLAY									
CAPITAL OUTLAY	10910909	601000		30,670	-	-	-	-	
Sub-total				30,670	-	-	-	-	NA
TOTAL EXPENSES				1,673,731	1,254,916	925,351	1,343,155	1,395,909	11.2%
NET INCOME (LOSS)				(413,203)	(18,368)	30,934	(24,295)	(37,999)	
FUND BALANCE, JANUARY 1				691,731	278,528		278,528	254,233	
FUND BALANCE, DECEMBER 31				\$ 278,528	\$ 260,160		\$ 254,233	\$ 216,234	