

City Services and Enterprises

Funding and Achieving Outcomes - FY 13 and Beyond

Workshop # 5 12/6/11

Presentation 1 - Internal Service Funds

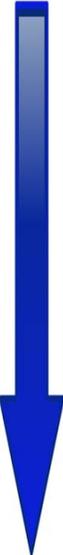
Fleet

Facilities

Risk Management

A Systematic Approach

Review and Analysis of Selected Funds and Programs



- City Services

- Mandatory (specifically required by law)
- Discretionary (everything else)

- Levels of Services

- Services at selected levels = outcomes

- Resources and Budgets to accomplish the outcomes (Revenues and Expenses)

- Organization

Structure of City Funds and Budget

□ Governmental Funds

- General – Primary operating fund of City
- Special Revenue – Revenues are legally restricted as to purpose(s)
- Debt Service – Revenues tied to servicing debt incurred

□ Proprietary Funds

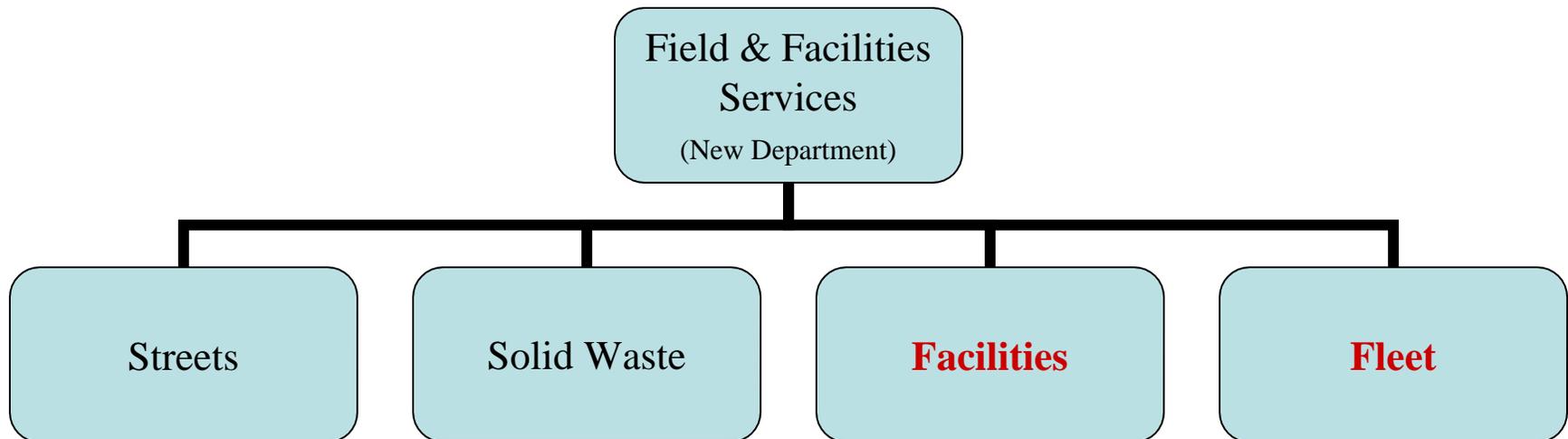
- Enterprise – used when fees are charged to external users for services; City “enterprises” have some similarities to private businesses; “enterprise funds” are useful to provide separate accounting of revenues earned, expenses incurred, and identify net “income”
- **Internal Service** – used for centralized services when costs are allocated to the entire government (all departments/funds)

Objective: Full cost recovery

Selected Internal Service Funds

	FY 11 Budget	FY 12 Budget	% Change
FLEET FUND			
Central Garage Operating Expenses	\$1,755,314	\$1,845,683	5.1%
Capital – Rotor/Drum Brake Lathe		7,500	
Vehicle Replacements	2,344,301	2,343,274	
FACILITIES FUND			
Operating Expenses (includes some utilities)	965,700	1,047,879	8.5%
Capital – HVAC Automated System Controllers		18,500	
RISK MANAGEMENT (SELF-INSURANCE) FUND			
Operating Expenses	2,006,493	2,105,121	4.9%

Organizational Placement of the Fleet and Facilities Divisions



Fleet Management

City Vehicles and Equipment

Fleet

386	light duty (cars, pickups to 1-ton)
23	medium duty (trucks to 33,000 GVWR)
43	heavy duty (trucks above 33,000 GVWR)
<u>82</u>	construction, off road equip. & emergency generators
534	Total vehicles & equipment

Distribution of Vehicles and Equipment

Public Works	116	(22%)
Field Operations	103	(19%)
Police	95	(18%)
Fire	53	(10%)
Parks	49	(9%)
Other	118	(22%)

Topics of Significant Interest/Concern - Fleet

- Keeping all vehicles and equipment operating safely and reliably
- Financial viability of the fleet maintenance function; facility debt service
- Funding of a long term fleet replacement program
- Superior customer service

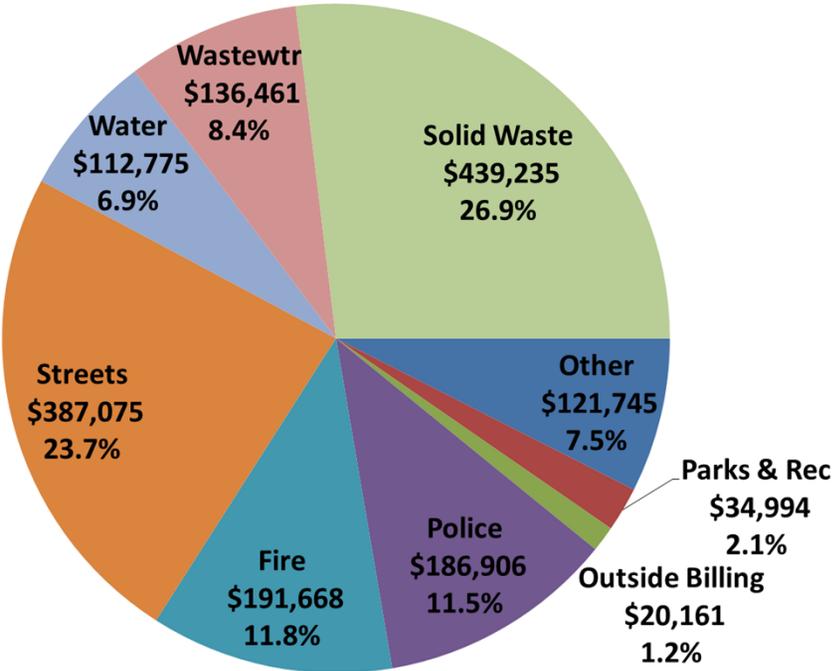
Programs and Services

- All services are non-mandated; the City is electing to provide these internal services
- Cost per vehicle maintained is second lowest among Arizona municipalities, however services could be supplied by contract forces including leasing of the Fleet Facility by the contractor
- Sensitivity of Public Safety vehicles and equipment (security, safety, expensive specialized systems) argue against contracting out
- Agreements with external governmental customers could be pursued to increase revenue

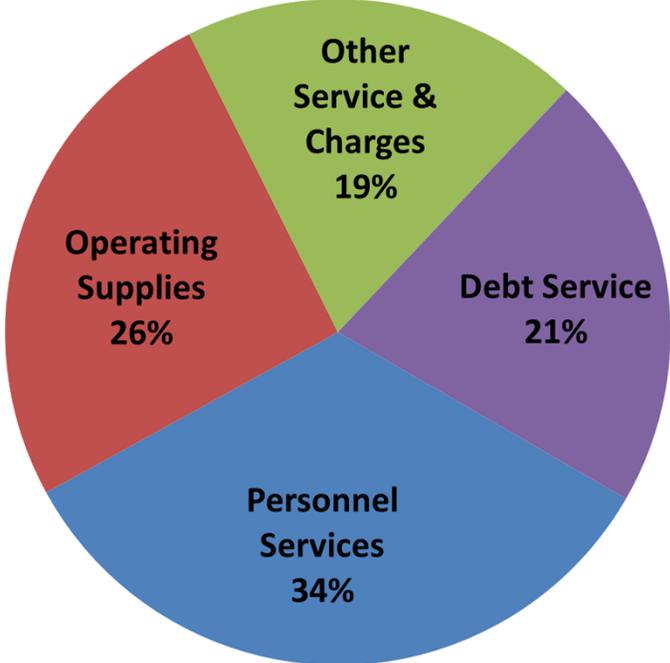
Budget Summary Fleet

	FY 2011 Actual	FY 2012 Approved Budget	FY 2012 With Needs Fully Funded
Maintenance Operations	\$ 1,871,595	\$ 1,853,183	\$ 1,890,483
Vehicle Replacement	670,643	2,343,274	2,600,000
Fund Total	\$ 2,542,238	\$ 4,196,457	\$ 4,490,483

**Fleet Maintenance Charges
FY11 - \$1,631,020**



**Type of Expenditure
Maintenance Operations**



Enhanced Outcomes if Needs Fully Funded

What Fleet Needs

- Full recovery of fleet costs from customer departments through:
(1) billings when service performed; and (2) annual “allocation of debt service” for major user departments
- Long term funding of Vehicle Replacement Program
- Service Technician position
- Brake Lathe

Need	Cost	Justification
Recover Debt Service	\$392,839	Facility has debt service through 2027. Allocation of debt to user departments.
Vehicle Replacement Program	\$2,600,000	Aging fleet will have a detrimental effect for costs, reliability, and efficiency.
Service Technician	\$35,000	Frozen position. Lower cost for routine services; decreased turnaround.
Brake Lathe	\$9,800	Cost increase, truck mounting, and digital tolerance display.

Vehicle/Equipment Replacement

Enterprise Funds

- Each fund budgets separately for replacement
(Sanitation, Water, Wastewater, Airport, Golf)
- Expense is recovered through rates

Governmental Funds - Vehicle Replacement Program

- For Streets Fund and General Fund vehicles/equipment
- Set up in FY 05; Vehicle Replacement charges were discontinued in FY 10 to balance that budget (and all subsequent budgets)
- Estimated annual cost to resume long term program for Streets Fund and General Fund = \$2,600,000
- Recommend a transition to this Vehicle Replacement Program funding level beginning in FY 13

Fully Funded FY12 Budget - Fleet

FY12 Budget	Approved	Adjusted with Ongoing NEEDS Fully Funded
OPERATING		
	\$1,452,844	\$1,452,844
1 Full-time Service Technician (\$12/hr)		\$ 35,000
CAPITAL EQUIPMENT		
Brake lathe	\$ 7,500	\$ 9,800
CAPITAL ACQUISITION - VEHICLE REPLACEMENT	\$ 2,343,274 (1)	\$2,600,000 (2)
DEBT SERVICE on FLEET FACILITY (2027)	\$ 392,839	\$ 392,839
APPROVED FY12 BUDGET	\$4,196,457	
TOTAL PROJECTED BUDGET		\$4,490,486

- (1) Drawdown of remaining Vehicle Replacement Fund balance for critical needs in General Fund and Streets Fund**
- (2) Annualized cost for fully funded long term Vehicle Replacement Program in General Fund and Streets Fund (enterprise funds budget separately for vehicles/equipment needed for their operations)**

Facilities Management

Division Overview - Facilities

- **Mission:** Provide safe, clean, well-maintained, functional, and energy-efficient facilities for use by employees and the public.
- **FY 12 Budget**

Operating	Capital	Grants
\$1,047,879	\$18,500	\$0
- **FY 12 Personnel**

Building Maintenance:	3 Full-time	
Custodial	2 Full-time	3 Part-time
- **Facilities**

250,000 SF of maintained City buildings and structures
35,000 SF Parking Garage (503 spaces)



Topics of Significant Interest/Concern - Facilities

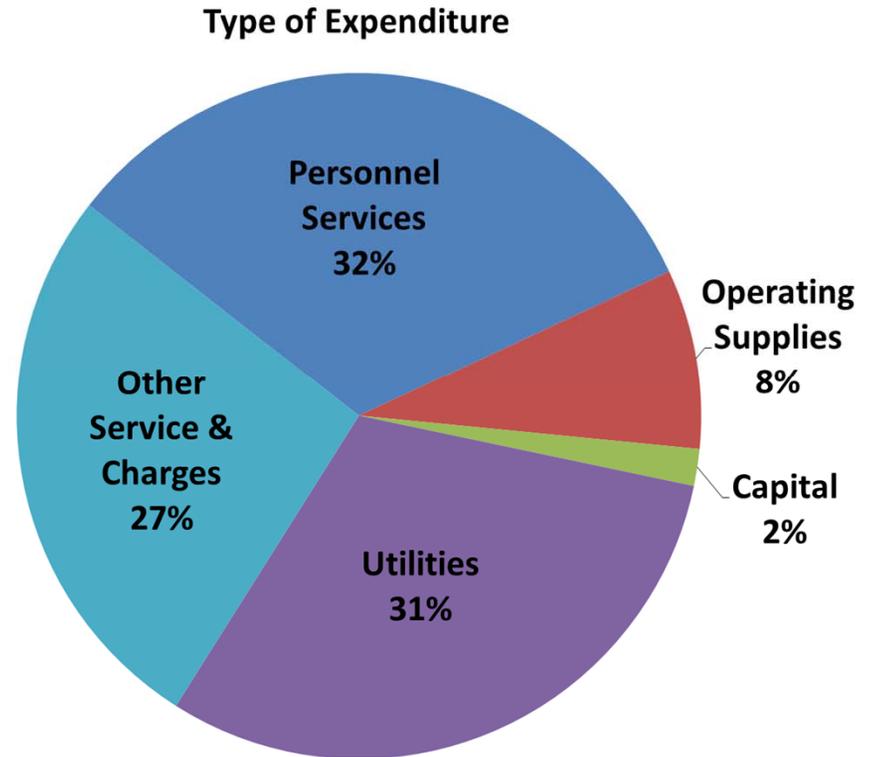
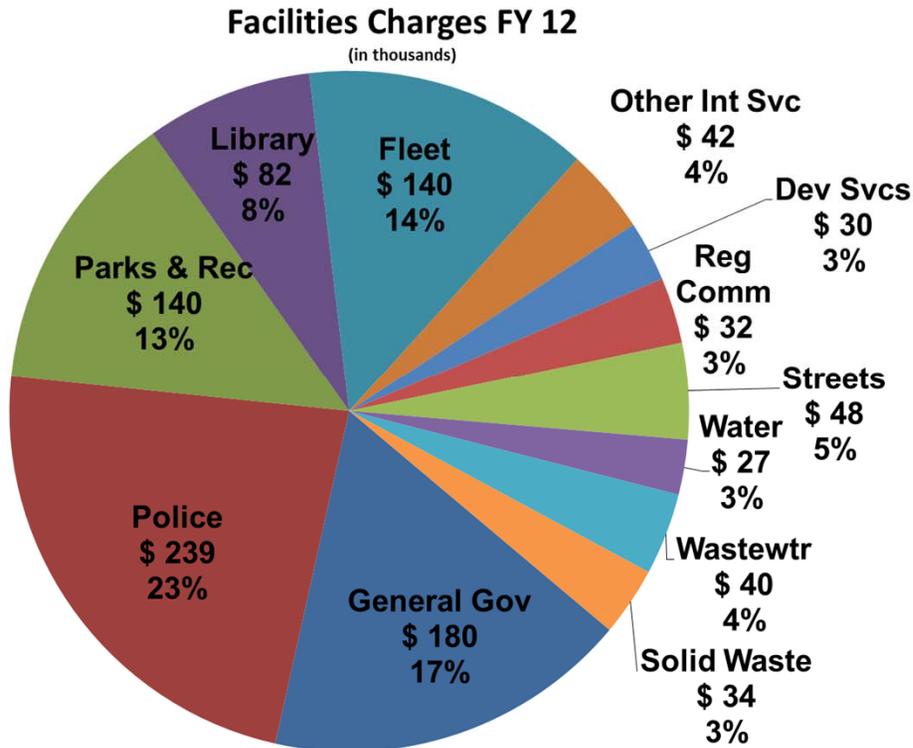
- Inadequate/deferred structure, systems, and interior maintenance
- Lack of a Maintenance Management System
(similar to systems now used to maintain the City's water, wastewater, and streets infrastructure assets; the MMS consists of a comprehensive inventory, condition assessments, maintenance activities/cycles, funded and scheduled long term program)
- Energy efficiency
- Rodeo Grounds – utilization and rehabilitation of facilities
- Parking Garage maintenance and security

Programs and Services

- While non-mandated, these services are necessary to assure facilities are functional/adequately operated and maintained
- Major maintenance and rehabilitation is performed by contract
- Energy efficiency improvements are delivering recurring cost savings
- Additional services recommended to be provided
 - HVAC bi-annual preventive maintenance
 - 1 Maintenance Technician
 - 1 Custodian

Budget Summary Facilities

	FY 2011 Actual	FY 2012 Approved Budget	FY 2012 With Needs Fully Funded
Facilities	\$ 998,653	\$ 1,066,379	\$ 1,163,379
Fund Total	\$ 998,653	\$ 1,066,379	\$ 1,163,379



Enhanced Outcomes - Facilities Full Funding

Department Need	Budget	Current	Fully Funded Enhancement
Maintenance Technician Materials	\$44,000 5,000	Position frozen	Energy upgrades completed, less contracting of plumbers, drywall, painters, more project completion and less deferred maintenance.
Custodian Supplies	\$30,000 2,000	This position is currently frozen in the operating budget and not available.	High use 24/7 facilities can be properly cleaned with longer lasting finish elements, and better appearing facilities.
HVAC bi-annual service	\$16,000	Library service now once per year at \$2,900.	Diagnostics for expensive mechanical systems prevent small issues from becoming large ones.

Only immediate needs are identified above. A Maintenance Management System (MMS) is necessary to comprehensively determine all needs and the costs of managing them on a long term, life-cycle basis.

Fully Funded FY12 Budget

FY12 Budget	Approved	Adjusted with Ongoing NEEDS Fully Funded
Operating		
	\$1,047,879	\$1,047,879
1 Maintenance Tech (\$16/hr)		\$ 44,000
1 Custodian (\$11/hr)		\$ 30,000
Supplies for MT & C		\$ 7,000
HVAC bi-annual PM Service		\$ 16,000
Capital-		
Police Department Controller	\$18,500	\$18,500
Debt Service / Date Retired		
APPROVED FY12 BUDGET	\$1,066,379	
TOTAL PROJECTED BUDGET		\$1,163,379

See previous slide. Costs above only include immediate needs. A Maintenance Management System (MMS) is necessary to identify funding required to support an adequate, long term maintenance program.

Summary Points - Facilities

- Costs of facility utilities, internal services, insurance, and maintenance of mechanical systems are ongoing, essential services.
- A Maintenance Management System (MMS) is necessary to properly maintain the City's facilities assets on a recurring, long term basis
- Energy for cooling, heating, and lighting is an escalating cost to be managed. Retrofit of existing less efficient systems and monitoring can do this.
- Facilities needs assessment for critical issues not formalized and building specific: e.g., roof assessment, HVAC retrofit to higher SEER, dual pane glass citywide, insulation. Continue to install water saving devices on buildings as they enter the Facilities Fund.
- Departmental needs for office reconfiguration or remodel, security enhancements, and minor maintenance cannot be done contractually as efficiently or quickly as it can in-house.
- Custodial Services may be handled by departments or a professional service—this has been tried before with less than satisfactory results. Security issues.
- Each office could handle its own repair and maintenance--unsuccessful in the past.

Risk Management

Risk Management - Overview

- Mission: Provide leadership, direction and education in promoting, developing and maintaining sound safety practices, risk assessment and risk mitigation strategies to protect the City's human, financial, and property assets from loss.
- FY 12 Budget: \$2,105,121
- FY 12 Personnel: 3 Full-time

Topics of Significant Interest or Concern

- Risk Management's challenge is to keep premium costs and self-insured retention at the lowest levels while ensuring all City assets are protected.
- Successfully meeting this challenge requires adequate funding from all City departments/funds through budgetary apportionment of the costs.
- Strive to reduce the Worker's Compensation reserves.
- Continue to work with Travelers to minimize liability claim payments.
- Centralize contracts and certificates of insurance.
- Provide ongoing safety, contracts, and risk mitigation training for employees.

Programs and Services – Risk Management

Core Services

Required by Statutes, Regulations, and Codes

- Provide and maintain insurance program through self-insurance and purchase of policies to protect City's assets

City Code – Title 1 Chapter 1-10-8

- Provide claim service to the City and claimants

A.R.S. 12-821-01 and City Code 1-10-1 and 1-10-4

- Provide safety training and compliance through loss control in Risk Management

*Federal – Occupational Safety and Health Administration (OSHA) and
State – Arizona Department of Occupational Safety and Health (ADOSH)*

Programs & Services

Non-Mandated Services

- Maintain Risk Management principles by transferring liability and exposures through the use of contracts, training, policies, and procedures.
- Protect and maintain City assets by ensuring compliance of all City contracts through updated legal and insurance language, providing a clearinghouse through Risk Management for centralized contracts and certificates of insurance.

Services Recommended to be Discontinued

- Provide service to the City Clerk's office by processing Public Records Requests.

New Services Recommended to be Provided

(Including restoring services discontinued due to funding cuts)

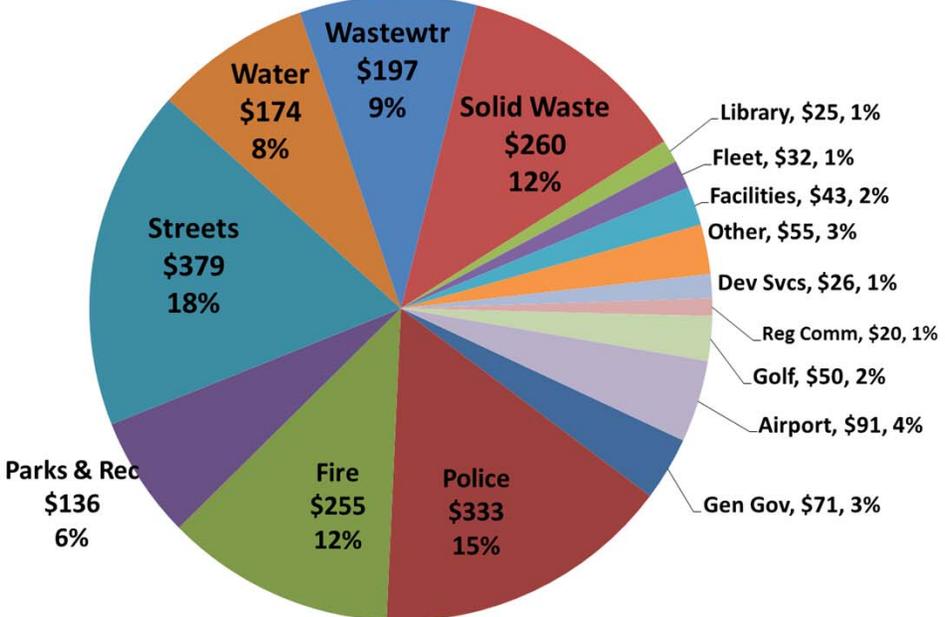
- Centralize contracts and certificates of insurance.

Budget Summary Self Insurance

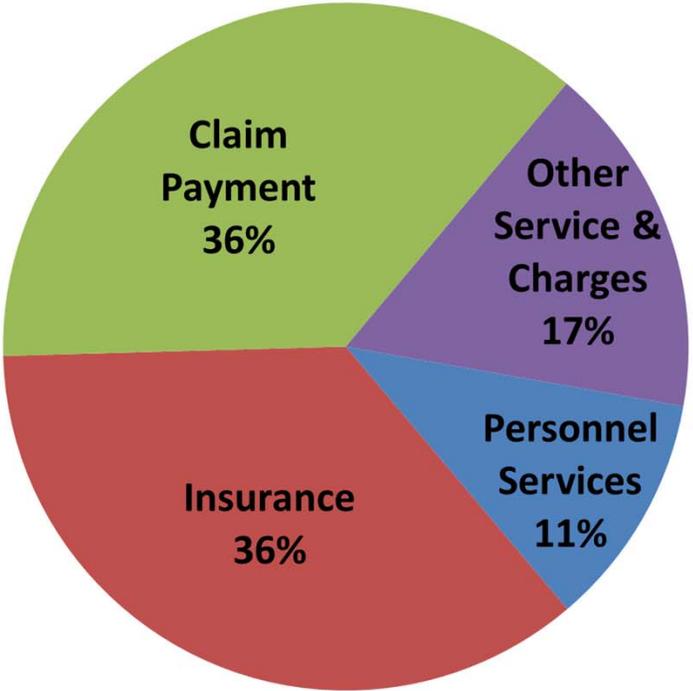
	FY 2011 Actual	FY 2012 Approved Budget	FY 2012 With Needs Fully Funded
Risk Management	\$ 2,364,400	\$ 2,105,121	\$ 2,105,121
Fund Total	\$ 2,364,400	\$ 2,105,121	\$ 2,105,121

Source of Funding

(in thousands)



Type of Expenditure



Impact on General Fund Departments/Activities for Workers Comp and Liability Coverages = \$848,064