

**INTERNAL SERVICE FUNDS**

**BUDGET OVERVIEW**

<b>Fund #</b>	<b>Fund</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
501	Fleet Maintenance	\$9,091,569	\$10,488,526	\$1,396,957	15.4%	7.7%
510	Insurance Claims and Reserves	\$2,457,802	\$2,808,222	\$350,420	14.3%	7.1%
511	Medical Self-Insurance	\$15,529,182	\$17,376,203	\$1,847,021	11.9%	5.9%
512	Workers' Compensation	\$1,636,726	\$1,913,911	\$277,185	16.9%	8.5%
520	Information Technology	\$5,600,799	\$7,061,971	\$1,461,172	26.1%	13.0%
<b>Grand Total</b>		<b>\$34,316,078</b>	<b>\$39,648,833</b>	<b>\$5,332,755</b>	<b>15.5%</b>	<b>7.8%</b>

**FTE OVERVIEW**

<b>Funds</b>	<b>2005-2006 FTEs</b>	<b>2007-2008 FTEs</b>	<b>FTE Δ</b>
Fleet	6.66	6.16	-0.50
Insurance Claims & Reserves	2.80	2.80	0.00
Medical Self Insurance	0.00	0.00	0.00
Workers' Compensation	0.00	0.00	0.00
Information Technology	21.00	22.00	1.00
<b>Total</b>	<b>30.46</b>	<b>30.96</b>	<b>0.50</b>

**Fleet:** Decreased due to reorganization of Public Works.

**Information Technology:** New position to provide critical Information Technology support to City operations.

## 501 - FLEET MAINTENANCE FUND

### BUDGET OVERVIEW

(\$ In Millions)	2005-2006 Budget	2007-2008 Preliminary Budget	2007-2008 Council Adopted Budget	Difference between Preliminary and Council Adopted Budget	% change
Total Budget	\$9.1	\$10.6	\$10.5	(\$0.1)	-0.6%

Note: May be slightly off due to rounding.

### COUNCIL'S FINAL CHANGES

Council did not make any changes to the Fleet fund's Preliminary Budget except for adopting \$62,722 in technical changes to correct the interfund transfers for fleet maintenance services.

### COST DRIVERS

#### Salaries and Benefits

- Market and merit increases of 4.5% in 2007 and 2008. NOTE: Should not be construed as City's negotiating position.
- Medical premium increases of 13% per year.
- PERS rate increases of 132% between 2006 and 2008, as approved by the State Legislature.
- Elimination of .5 FTE due to reorganization.

#### Supplies increased

- Inflationary increases of 2.6% and 2.5% for 2007 and 2008; this is the first time in seven years funds have received a small adjustment for inflation.
- 10% increase included in the budget to reflect higher fuel costs.

#### Other services and charges

- Increase in external repairs and maintenance of specialized equipment.

#### Capital Outlays

- Purchases of vehicles according to replacement schedule.

### SYNOPSIS OF PROPOSED PROGRAMS INCLUDED IN THE PRELIMINARY BUDGET

N/A

## 501 - FLEET MAINTENANCE FUND

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
<b>FLEET MAINTENANCE AND OPERATIONS</b>		<b>\$ 9,091,569</b>	<b>\$10,488,526</b>	
Maintain and repair all City maintenance equipment, vehicles and small engine equipment, except those maintained by the Fire Dept.	Provide safe, efficient and reliable vehicles for the City.			Core service
Work with all City departments on vehicle needs and specifications while managing a database of all vehicle repairs, expenses and tracking of preventative maintenance.	Allows the mechanics to accurately determine vehicle maintenance needs.			Core service
Continual analysis of each vehicle's maintenance and mileage to determine vehicle replacements.	Ensure vehicles are replaced before their cost to own exceeds their value.			Core service
Manage and track fuel usage for all city departments.	Ensure proper types and levels of fuel are on hand for use in the vehicles and equipment.			Core service
Manage an inventory of maintenance and repair supplies.	Ensure supplies are on hand for use in the vehicles and equipment.			Core service
Perform required emission testing on all the vehicles on an annual basis.	Comply with state law.			Legally mandated
Perform warranty work and body work, as needed.	Maintain vehicles at the correct levels of operation.			Core service
Determine each department's allocation of costs for depreciation and budgeting purposes.	Provide accurate fund allocation to each department.			Core service
<b>TOTAL FLEET MAINTENANCE AND OPERATIONS</b>		<b>\$ 9,091,569</b>	<b>\$10,488,526</b>	

**501 - FLEET MAINTENANCE FUND**

**REVENUE SUMMARY BY OBJECT**

<b>FLEET MAINTENANCE</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
Beginning Fund Balance	\$5,163,462	\$5,132,262	(\$31,200)	-0.6%	-0.3%
Equipment Repair	\$54,568	\$110,291	\$55,723	102.1%	51.1%
Equipment/Vehicle Leases	\$4,000	\$4,000	\$0	0.0%	0.0%
Insurance	\$448,202	\$485,083	\$36,881	8.2%	4.1%
Investment Interest	\$209,826	\$400,000	\$190,174	90.6%	45.3%
Proceeds-Sale of Fixed Asset	\$68,999	\$219,214	\$150,215	217.7%	108.9%
Replacement Reserve	\$3,142,512	\$4,137,676	\$995,164	31.7%	15.8%
<b>Grand Total</b>	<b>\$9,091,569</b>	<b>\$10,488,526</b>	<b>\$1,396,957</b>	<b>15.4%</b>	<b>7.7%</b>

## 501 - FLEET MAINTENANCE FUND

### EXPENDITURE SUMMARY BY OBJECT

FLEET MAINTENANCE	2005-2006 Budget	2007-2008 Budget	Budget to Budget Difference	2-year % change	1-year % change
<b>Salaries</b>					
Salaries and Wages	\$803,516	\$808,186	\$4,670	0.6%	0.3%
Overtime	\$3,000	\$3,000	\$0	0.0%	0.0%
Supplemental Help	\$13,000	\$15,000	\$2,000	15.4%	7.7%
Other Compensation	\$9,720	\$8,000	(\$1,720)	-17.7%	-8.8%
<b>Salaries Total</b>	<b>\$829,236</b>	<b>\$834,186</b>	<b>\$4,950</b>	<b>0.6%</b>	<b>0.3%</b>
<b>Benefits</b>					
MEBT	\$61,381	\$61,560	\$179	0.3%	0.1%
PERS	\$11,269	\$53,809	\$42,540	377.5%	188.7%
Benefits - Medical Premiums	\$122,724	\$154,298	\$31,574	25.7%	12.9%
Benefits - Worker's Compensation	\$18,888	\$23,990	\$5,102	27.0%	13.5%
Other Benefits	\$3,836	\$3,698	(\$138)	-3.6%	-1.8%
<b>Benefits Total</b>	<b>\$218,098</b>	<b>\$297,355</b>	<b>\$79,257</b>	<b>36.3%</b>	<b>18.2%</b>
<b>Supplies</b>					
Fuel	\$485,547	\$653,428	\$167,881	34.6%	17.3%
Small Tools/Equip/Hardw/Softw	\$22,000	\$27,767	\$5,767	26.2%	13.1%
Office and Other Supplies	\$2,000	\$2,000	\$0	0.0%	0.0%
Repairs/Maintenance Supplies	\$400,677	\$254,500	(\$146,177)	-36.5%	-18.2%
<b>Supplies Total</b>	<b>\$910,224</b>	<b>\$937,695</b>	<b>\$27,471</b>	<b>3.0%</b>	<b>1.5%</b>
<b>Professional Services</b>					
Professional Services	\$6,000	\$7,500	\$1,500	25.0%	12.5%
Communications	\$1,880	\$1,963	\$83	4.4%	2.2%
Travel	\$11,000	\$11,000	\$0	0.0%	0.0%
Utilities	\$5,000	\$5,000	\$0	0.0%	0.0%
Repairs - Outside	\$144,000	\$180,500	\$36,500	25.3%	12.7%
Other Services and Charges	\$41,600	\$50,600	\$9,000	21.6%	10.8%
<b>Professional Services Total</b>	<b>\$209,480</b>	<b>\$256,563</b>	<b>\$47,083</b>	<b>22.5%</b>	<b>11.2%</b>
<b>Interfund Transfers</b>					
Interfund - Info Technology	\$0	\$66,132	\$66,132	n/a	n/a
Interfund - Insurance Premiums	\$448,114	\$497,554	\$49,440	11.0%	5.5%
<b>Interfund Transfers Total</b>	<b>\$448,114</b>	<b>\$563,686</b>	<b>\$115,572</b>	<b>25.8%</b>	<b>12.9%</b>
<b>Capital Purchases Total</b>	<b>\$1,427,849</b>	<b>\$2,567,533</b>	<b>\$1,139,684</b>	<b>79.8%</b>	<b>39.9%</b>
<b>Ending Fund Balance</b>					
Ending Fund Balance	\$5,022,200	\$5,031,508	\$9,308	0.2%	0.1%
Salary and Benefit Contingency	\$26,368	\$0	(\$26,368)	-100.0%	-50.0%
<b>Ending Fund Balance Total</b>	<b>\$5,048,568</b>	<b>\$5,031,508</b>	<b>(\$17,060)</b>	<b>-0.3%</b>	<b>-0.2%</b>
<b>Grand Total</b>	<b>\$9,091,569</b>	<b>\$10,488,526</b>	<b>\$1,396,957</b>	<b>15.4%</b>	<b>7.7%</b>

## 510 - INSURANCE CLAIMS AND RESERVES FUND

### BUDGET OVERVIEW

(\$ In Millions)	2007-2008		2007-2008 Council Adopted Budget	Difference between Preliminary and Council Adopted Budget	% change
	2005-2006 Budget	Preliminary Budget			
Total Budget	\$2.5	\$2.8	\$2.8	\$0.0	0.0%

Note: May be slightly off due to rounding.

### COUNCIL'S FINAL CHANGES

Council adopted the Insurance Claims and Reserves Fund budget as proposed.

### COST DRIVERS

#### Salaries and Benefits

- Market and merit increases of 4.5% in 2007 and 2008. NOTE: Should not be construed as City's negotiating position.
- Medical premium increases of 13% per year.
- PERS rate increases of 132% between 2006 and 2008, as approved by the State Legislature.

#### Professional Services

- Slight decrease in the budget for insurance premiums to more closely approximate actuals.

#### Interfund Transfers

- New interfund transfer to the Information Technology fund to pay for this fund's portion of technology services.
- New interfund transfer to the Fleet Maintenance fund to pay for the costs of the fleet vehicle assigned to the Risk Management division.

### SYNOPSIS OF PROPOSED PROGRAMS INCLUDED IN THE PRELIMINARY BUDGET

N/A

## 510 - INSURANCE CLAIMS AND RESERVES FUND

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
<b>RISK MANAGEMENT</b>		<b>\$2,118,597</b>	<b>\$2,162,464</b>	
Administers the city's safety and loss control program.	This program directly reduces employee injuries and occupational disease exposures through the operation of citywide safety committees, safety training and safety programs such as drug and alcohol testing and hearing conservation.			Legally mandated by federal and state regulations
Administers the city's insurance program.	To protect the city from risk exposures to losses, claims and suits. The purpose of this program is to self-insure predictable losses and purchase excess insurance to protect city financial resources against adverse loss.			Core service
Administers the city's claims and suits.	This program fosters accident reporting, investigation and adjustment of claims made against the city as well as physical damage to city property and recovery for city property damaged by others. It includes city representation at legal mediations.			Core services
Administers or supports the other Risk Management program components such as contract review, the city's Wellness program, the city's health insurance program and technical advice to city departments.	These activities and administrative costs support legally mandated training, contract formation, collectively bargained benefits and core value cost controlling and reducing measures (Wellness).			Legally mandated
Ending Fund Balance		\$339,205	\$645,758	
<b>TOTAL RISK MANAGEMENT INSURANCE FUND</b>		<b>\$2,457,802</b>	<b>\$2,808,222</b>	

**510 - INSURANCE CLAIMS AND RESERVES FUND**

**REVENUE SUMMARY BY OBJECT**

<b>INSURANCE CLAIMS AND RESERVES</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
Beginning Fund Balance	\$306,478	\$660,001	\$353,523	115.4%	57.7%
Payment from Other City Funds	\$2,149,324	\$2,146,221	(\$3,103)	-0.1%	-0.1%
Investment Interest	\$2,000	\$2,000	\$0	0.0%	0.0%
<b>Grand Total</b>	<b>\$2,457,802</b>	<b>\$2,808,222</b>	<b>\$350,420</b>	<b>14.3%</b>	<b>7.1%</b>

## 510 - INSURANCE CLAIMS AND RESERVES FUND

### EXPENDITURE SUMMARY BY OBJECT

INSURANCE CLAIMS AND RESERVES	2005-2006 Budget	2007-2008 Budget	Budget to Budget Difference	2-year % change	1-year % change
<b>Salaries</b>					
Salaries and Wages	\$410,394	\$452,008	\$41,614	10.1%	5.1%
<b>Salaries Total</b>	<b>\$410,394</b>	<b>\$452,008</b>	<b>\$41,614</b>	<b>10.1%</b>	<b>5.1%</b>
<b>Benefits</b>					
MEBT	\$30,171	\$32,282	\$2,111	7.0%	3.5%
PERS	\$5,757	\$30,104	\$24,347	422.9%	211.5%
Benefits - Medical Premiums	\$56,775	\$74,293	\$17,518	30.9%	15.4%
Benefits - Worker's Compensation	\$1,638	\$2,252	\$614	37.5%	18.7%
Other Benefits	\$791	\$828	\$37	4.7%	2.3%
<b>Benefits Total</b>	<b>\$95,132</b>	<b>\$139,759</b>	<b>\$44,627</b>	<b>46.9%</b>	<b>23.5%</b>
<b>Supplies</b>					
Small Tools/Equip/Hardw/Softw	\$1,800	\$1,869	\$69	3.8%	1.9%
Office and Other Supplies	\$2,800	\$2,909	\$109	3.9%	1.9%
<b>Supplies Total</b>	<b>\$4,600</b>	<b>\$4,778</b>	<b>\$178</b>	<b>3.9%</b>	<b>1.9%</b>
<b>Professional Services</b>					
Professional Services	\$77,400	\$48,076	(\$29,324)	-37.9%	-18.9%
Legal Services	\$5,000	\$5,195	\$195	3.9%	2.0%
Communications	\$2,500	\$2,597	\$97	3.9%	1.9%
Travel	\$3,020	\$3,137	\$117	3.9%	1.9%
Repairs - Outside	\$700	\$727	\$27	3.9%	1.9%
Other Services and Charges	\$19,853	\$20,863	\$1,010	5.1%	2.5%
Insurance Premiums	\$1,149,998	\$1,098,849	(\$51,149)	-4.4%	-2.2%
Insurance Claims	\$350,000	\$350,000	\$0	0.0%	0.0%
<b>Professional Services Total</b>	<b>\$1,608,471</b>	<b>\$1,529,444</b>	<b>(\$79,027)</b>	<b>-4.9%</b>	<b>-2.5%</b>
<b>Interfund Transfers</b>					
Interfund - Info Technology	\$0	\$27,803	\$27,803	n/a	n/a
Interfund - Fleet	\$0	\$8,672	\$8,672	n/a	n/a
<b>Interfund Transfers Total</b>	<b>\$0</b>	<b>\$36,475</b>	<b>\$36,475</b>	<b>n/a</b>	<b>n/a</b>
<b>Ending Fund Balance</b>					
Ending Fund Balance	\$322,734	\$632,198	\$309,464	95.9%	47.9%
Salary and Benefit Contingency	\$16,471	\$13,560	(\$2,911)	-17.7%	-8.8%
<b>Ending Fund Balance Total</b>	<b>\$339,205</b>	<b>\$645,758</b>	<b>\$306,553</b>	<b>90.4%</b>	<b>45.2%</b>
<b>Grand Total</b>	<b>\$2,457,802</b>	<b>\$2,808,222</b>	<b>\$350,420</b>	<b>14.3%</b>	<b>7.1%</b>

## 511 - MEDICAL SELF-INSURANCE FUND

### BUDGET OVERVIEW

**(\$ In Millions)**

	2005-2006 Budget	2007-2008 Preliminary Budget	2007-2008 Council Adopted Budget	Difference between Preliminary and Council Adopted Budget	% change
Total Budget	\$15.5	\$17.4	\$17.4	\$0.0	0.0%

Note: May be slightly off due to rounding.

### COUNCIL'S FINAL CHANGES

Council adopted the Medical Self-Insurance Fund budget as proposed.

### COST DRIVERS

- Red-Med and Group Health medical claim costs, which represent the majority of fund expenditures are up \$1.6 million, reflecting increases in medical costs and higher usage as estimated by City's actuary.
- Excess liability insurance and the incurred but not reported reserve (IBNR), which is based on 15% of Red-Med claims, have also been increased to reflect higher claims.

### SYNOPSIS OF PROPOSED PROGRAMS INCLUDED IN THE PRELIMINARY BUDGET

N/A

## 511 - MEDICAL SELF INSURANCE FUND

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
<b>MEDICAL SELF INSURANCE</b>		<b>\$15,529,182</b>	<b>\$17,376,203</b>	
Maintain adequate reserves.	Fund balance and Incurred But Not Reported (IBNR) reserves to ensure short-term continuity of program in the event of default.	\$2,371,625	\$2,480,837	Core service
Maintain reserve for LEOFF 1 medical claim costs in the Operating Reserves Fund.	The City has a state mandated obligation to pay medical costs for LEOFF 1 employees until death. The City has 25 retirees and 7 active LEOFF 1 employees. The reserves for this group is estimated to increase to \$581,000 in 2007-08.	\$140,000	\$140,000	Core service
Medical claim payments	Payment of medical claim costs for dental, vision, prescription medicine and physician services under the RedMed and Group Health benefit programs.	\$12,027,183	13,644,964	Core service
Excess Insurance	Insurance to cover large claim costs that exceed annual limit of \$120,000.	\$458,719	\$574,854	Core service
Program Administration	To provide third-party administration of program.	\$398,246	\$403,564	Core service
Program Evaluation	To provide independent analysis of program needs including insurance brokerage services, actuary.	\$31,364	\$33,274	Core service
State risk management review	Payment to the State of Washington for mandated annual review of City's medical self-insurance program.	\$3,136	\$3,327	Core service

**511 - MEDICAL SELF INSURANCE FUND (cont.)**

<b>WHAT DO WE DO?</b>	<b>WHY DO WE DO IT?</b>	<b>HOW MUCH DOES IT COST?</b>		<b>IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?</b>
		<b>2005-2006</b>	<b>2007-2008</b>	
<b>MEDICAL SELF INSURANCE (cont.)</b>				
Employee Assistance Program	Support employees by providing a confidential service where employees can discuss personal and professional life challenges.	\$31,364	\$33,274	Value Added
Administer the City's wellness program (≈ \$18,000 per year).	To provide City employees with incentives and options to practice a healthful lifestyle.	\$37,636	\$39,927	Value added service
Publication of newsletters to employees on health-related matters.	To share with employees healthy lifestyles and workplace habits.	\$29,909	\$22,182	Value added
<b>TOTAL MEDICAL SELF INSURANCE</b>		<b>\$15,529,182</b>	<b>\$17,376,203</b>	

**511 - MEDICAL SELF-INSURANCE FUND**

**REVENUE SUMMARY BY OBJECT**

<b>MEDICAL SELF-INSURANCE</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
Beginning Fund Balance	\$1,257,593	\$1,282,372	\$24,779	2.0%	1.0%
IBNR Reserve	\$646,298	\$826,800	\$180,502	27.9%	14.0%
InterFund Insurance Premiums	\$12,116,769	\$13,524,013	\$1,407,244	11.6%	5.8%
Employee Contributions	\$1,408,522	\$1,332,175	(\$76,347)	-5.4%	-2.7%
Cobra Premiums	\$60,000	\$370,843	\$310,843	518.1%	259.0%
Investment Interest	\$40,000	\$40,000	\$0	0.0%	0.0%
<b>Grand Total</b>	<b>\$15,529,182</b>	<b>\$17,376,203</b>	<b>\$1,847,021</b>	<b>11.9%</b>	<b>5.9%</b>

**EXPENDITURE SUMMARY BY OBJECT**

<b>MEDICAL SELF-INSURANCE</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
Red-Med Medical Claims	\$10,768,143	\$12,039,355	\$1,271,212	11.8%	5.9%
Group Health Premiums	\$1,259,040	\$1,591,209	\$332,169	26.4%	13.2%
Excess Liability Insurance	\$458,719	\$574,854	\$116,135	25.3%	12.7%
Professional Services	\$464,110	\$473,439	\$9,329	2.0%	1.0%
Wellness Administration	\$37,636	\$39,927	\$2,291	6.1%	3.0%
Comm./Other Operating exps	\$20,909	\$22,182	\$1,273	6.1%	3.0%
Health Premium Waivers	\$9,000	\$14,400	\$5,400	60.0%	30.0%
Interfund Subsidies	\$140,000	\$140,000	\$0	0.0%	0.0%
Ending Fund Balance	\$2,371,625	\$2,480,837	\$109,212	4.6%	2.3%
<b>Grand Total</b>	<b>\$15,529,182</b>	<b>\$17,376,203</b>	<b>\$1,847,021</b>	<b>11.9%</b>	<b>5.9%</b>

## 512 - WORKERS' COMPENSATION FUND

### BUDGET OVERVIEW

**(\$ In Millions)**

	2005-2006 Budget	2007-2008 Preliminary Budget	2007-2008 Council Adopted Budget	Difference between Preliminary and Council Adopted Budget	% change
Total Budget	\$1.6	\$1.9	\$1.9	\$0.0	0.0%

Note: May be slightly off due to rounding.

### COUNCIL'S FINAL CHANGES

Council adopted the Workers' Compensation Fund budget as proposed.

### COST DRIVERS

#### Workers' Compensation Claims

- Increase due to higher trend in claim costs.

#### State Administration Fee

- Increase due to higher trend in claim costs (State fee is based on the City's actual claim costs).

### SYNOPSIS OF PROPOSED PROGRAMS INCLUDED IN THE PRELIMINARY BUDGET

N/A

## 512 - WORKERS' COMPENSATION FUND

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
Administers the City's self-insured workers' compensation program in the 512 internal service fund.	State employers are required by law to provide benefits either through the State Fund or as a qualified self-insurer. Self-insurance is a cost effective means to provide state mandated benefits to injured employees and employees exposed to workplace diseases that occur in the course of employment.	\$1,250,303	\$1,611,753	Legally mandated
Ending Fund Balance		\$386,423	\$302,158	
<b>TOTAL WORKERS' COMPENSATION FUND</b>		<b>\$1,636,726</b>	<b>\$1,913,911</b>	

**512 - WORKERS' COMPENSATION FUND**

**REVENUE SUMMARY BY OBJECT**

<b>WORKERS' COMPENSATION</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
Beginning fund balance	\$218,438	\$187,928	(\$30,510)	-14.0%	-7.0%
Payments from Other City Funds	\$1,327,304	\$1,645,723	\$318,419	24.0%	12.0%
Employee Contributions	\$90,984	\$80,260	(\$10,724)	-11.8%	-5.9%
<b>Grand Total</b>	<b>\$1,636,726</b>	<b>\$1,913,911</b>	<b>\$277,185</b>	<b>16.9%</b>	<b>8.5%</b>

**EXPENDITURE SUMMARY BY OBJECT**

<b>WORKERS' COMPENSATION</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
Ending Fund Balance	\$386,423	\$302,158	(\$84,265)	-21.8%	-10.9%
Excess Stop Loss Insurance	\$69,267	\$75,969	\$6,702	9.7%	4.8%
State Administration Fee	\$260,925	\$450,424	\$189,499	72.6%	36.3%
Claims Administration	\$63,550	\$39,696	(\$23,854)	-37.5%	-18.8%
Workers' Compensation Claims	\$856,561	\$1,045,664	\$189,103	22.1%	11.0%
<b>Grand Total</b>	<b>\$1,636,726</b>	<b>\$1,913,911</b>	<b>\$277,185</b>	<b>16.9%</b>	<b>8.5%</b>

## 520 - INFORMATION TECHNOLOGY FUND

### BUDGET OVERVIEW

**(\$ In Millions)**

	2005-2006 Budget	2007-2008 Preliminary Budget	2007-2008 Council Adopted Budget	Difference between Preliminary and Council Adopted Budget	% change
Total Budget	\$5.6	\$7.1	\$7.1	\$0.0	0.0%

Note: May be slightly off due to rounding.

### COUNCIL'S FINAL CHANGES

Although the Council eliminated the general funding for the Information Technology proposed programs included in the Preliminary Budget as detailed in the chart below, it did not adjust the budget accordingly. The Council's final actions also impact the Operating Grants, Solid Waste/Recycling, CIP, Utilities, Fleet Maintenance, and Insurance funds. An ordinance correcting these funds will be brought back to Council for approval in 2007. Following are the corrections which will be made to reflect Council's decisions.

Eliminated general funding for business continuity and critical technology support	(\$149,290)
Eliminated general funding for data security	(\$168,840)
Eliminated general funding for city communication and disaster recovery	(\$270,000)
<u>Eliminated general funding for a Records Management program</u>	<u>(\$150,000)</u>
<b>Total Council Changes</b>	<b>(\$738,130)</b>

Note: Information Services will also be adversely affected by the funding reductions in the Finance/Information Services department as this fund receives the majority of its revenue from the General Fund.

### COST DRIVERS

#### Salaries and Benefits

- Market and merit increases of 4.5% in 2007 and 2008. NOTE: Should not be construed as City's negotiating position.
- Medical premium increases of 13% per year.
- PERS rate increases of 132% between 2006 and 2008, as approved by the State Legislature.

- 1.0 FTE added in Support Services (see synopsis of proposed programs for more details).

#### Supplies

- Inflationary increases of 2.6% and 2.5% for 2007 and 2008, respectively.

#### Professional Services

- Inflationary increases of 2.6% and 2.5% for 2007 and 2008, respectively.
- Increases granted for: Enterprise Software Licensing for desktop Windows and Microsoft Office suite (\$273,817).
- Increase in repairs and maintenance due to new programs for Data security, Disaster recovery, and Records Management System (see synopsis of proposed programs for more details).

#### Capital Equipment

- This represents the capital component of the Data security, Disaster recovery, and Records Management System (see synopsis of proposed programs for more details).

## **SYNOPSIS OF PROPOSED PROGRAMS INCLUDED IN THE PRELIMINARY BUDGET**

Business continuity and critical support (1.0 FTE; \$149,290 – General Fund: \$119,626, Other funds: \$29,664) –**FUNDING ELIMINATED**

Over the last 5 years, City staff has increased their reliance on technology to continue to deliver City services in an effective, efficient, cost-saving and customer-focused manner. Nearly every piece of equipment, every new program or initiative and every person working on behalf of the City of Redmond (employees, volunteers, and supplementals) now requires some hardware or software component to deliver optimal service. The number of devices (PCs, laptops and printers) has increased by 528% since 1995; the number of Help Desk calls has increased by 20% each year during the last five years; and the number of software applications currently in use exceeds 150. Technology solutions are ubiquitous and every one of these systems, once implemented, requires Help Desk support. Yet we have not increased Help Desk staff since the Help Desk was established in 1995. The inefficiencies and high cost associated with an understaffed Help Desk are exacting a productivity and emotional drain on the organization. The Network and Application Services divisions have had to take on first-level support responsibilities impeding their ability to focus on their own workload. Support is reactive and disjointed rather than proactive and connected; projects have been delayed; and maintenance, upgrades, and enhancements that protect the City from security vulnerabilities and provide improved system functionality are falling behind in every area of I.S. Without proper support of the hardware and software needed to fulfill the City's commitments to its constituents, optimal service delivery will not be possible. Properly staffing the Information Services Help Desk will provide immediate and long-term benefits to all City staff and, consequently, to all of our constituents as a result. Optimal service delivery is the City's mandate; we must properly staff the Information Services Help Desk to deliver on that promise.

Data security (\$168,840 – General Fund: \$135,291, Other funds: \$33,549) –**FUNDING ELIMINATED**

Identity theft has become the fastest growing crime in the United States, if not the world. As of August, 2006, at least 148 security breaches have been reported in the U.S. potentially affecting 9.3 million individuals. 30% of these incidents occurred in governmental or military agencies -- a 12% higher rate of incidents than in general business. Unfortunately, for the past 10 years, Washington has remained in the undesirable “top 10” list of states for the occurrences of identity theft. To combat this increasing threat, regulations have been created that address the appropriate technical and physical safeguards that must be in place to restrict access to personal identifying information of employees and citizens. Information Services is proposing 3 programs to mitigate the risk at the workstation:

- purchase of anti-spyware software for all City workstations
- implementation of controls for downloading sensitive data to removable media
- workstation security compliance coupled with 2-factor authentication when accessing a workstation

City communication disaster recovery (\$270,000 – General Fund: \$216,352, Other funds: \$53,648) – **FUNDING ELIMINATED**

As a City that resides in a “disaster zone”, Redmond must make every effort possible to ensure power and communication channels are available so the City can quickly respond to the needs of its citizens and businesses after a disaster. Purchase of a portable, backup generator for the Public Safety Building would provide an alternative source of power if the primary generator failed or used up its fuel. Creation of a Redundant Network Core at a location other than the Public Safety Building would allow for critical communications and rudimentary business functions for a short period of time following a disaster. The purchase of several servers that could be co-located with the Redundant Network Core could be configured to provide mission-critical business applications as quickly as 24 hours after a disaster. Enhancement of the existing backup and recovery system would ensure that mission-critical systems could be recovered close to the moment of the disaster reducing or eliminating the need to recover information manually.

Additional one-time funding for Records Management program approved in 2005-06 budget (One-time funding of \$150,000 split between City Clerk: \$85,000 and Information Services: \$65,000) – **FUNDING ELIMINATED**

Records and information are at the core of every transaction any organization undertakes. Yet the City lacks effective policies and procedures for systematic control of recorded information. As a result in 2005, the City Council approved one-time money to support an initiative to develop and implement a citywide Records and Information Management (RIM) program. This system would not only provide for better management, but also allow departments to reduce the file space needs in the new city hall, which has limited storage. Because of limited resources only one-time money was available to continue this program in 2007-2008. Sound records management practices guard against potential litigation and penalties due to noncompliance and contributes to the smooth operation of City programs. If long term funding is not identified, the City may need to downsize or curtail its record management program.

## 520 - INFORMATION SERVICES FUND

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
<b>ADMINISTRATION</b>		<b>\$3,072,867</b>	<b>\$388,821</b>	
Develop short and long range strategic plans, establish policies and procedures, technical standards and priorities that guide the development and implementation of technology citywide based on the City's strategic goals.	Ensure that the City's strategic technology plan aligns with the City's strategic goals and objectives.			Core service
Oversee the development and implementation of citywide information and telecommunications systems including hardware infrastructure and software applications, voice and wireless technology necessary to achieve the City's business services goals.	Ensure that the systems implemented or developed support City-wide goals, departmental goals and provide the best possible tools available to support the day-to-day operations of the business.			Core service
Prepare and manage the Division's budget and ensure the most efficient and economical use of divisional funds, manpower, facilities, and time.	Ensure the City receives the greatest value possible from its investment in technology.			Core service
Supervise Information Services personnel, providing for ongoing training, development opportunities, motivation and professional growth.	Ensure I.S. personnel have the skills required to implement, enhance and maintain the City's rapidly changing technology and create an environment that retains existing personnel and attracts highly talented technology professionals.			Core service
Develop application software to support the business needs of City staff.	Provide a set of tools for City staff to perform their jobs more efficiently and cost effectively.			Core service

\* In 2005-2006, the majority of I.T. staff was included in the Administration division. The 2007-2008 budget breaks these positions into their respective categories: GIS, Network, Support, and Applications.

**520 - INFORMATION SERVICES FUND (cont.)**

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
<b>APPLICATION SERVICES</b>		<b>\$653,519</b>	<b>\$1,782,714</b>	
Maintain and support department specific application software.	Ensure the tools used by City staff remain current and take advantage of increased functionality.			Core service
Maintain and support City's financial applications.	Ensure the integrity and stability of the City's mission critical financial system.			Legally mandated
Develop application software to support the business needs of City staff.	Provide a set of tools for City staff to perform their jobs more efficiently and cost effectively.			Core service
Manage technology related software projects.	Ensure developed and purchased software is implemented successfully, on time and on budget and meets the needs of the users.			Core service
Assist staff in evaluating and selecting software applications.	Ensure purchased software will effectively meet the business requirements and comply with the City's software standards.			Core Service
<b>GIS SERVICES</b>		<b>\$903,901</b>	<b>\$1,515,441</b>	
GIS data capture and maintenance.	Keep the data up to date and accurate so staff can make informed decisions			Core service
GIS standards and procedures.	Ensure that GIS data is collected in a manner that will allow multiple departments to use and benefit from the City's investment.			Core service
Central GIS data warehouse management.	Ensure that the data is available to all City staff in the necessary formats with the appropriate security permissions.			Core service
GIS services including mapping, analysis, database development and application development.	Help city departments make informed decisions, increase productivity and provide better customer service to Redmond's residents and businesses.			Core and value-added service
GIS/CAD software support	Support City staff in their use of the GIS/CAD software so that they can realize the maximum benefits of the system.			Core service

**520 - INFORMATION SERVICES FUND (cont.)**

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
<b>NETWORK SERVICES</b>		<b>\$412,756</b>	<b>\$1,838,164</b>	
Overall management of network, servers, and telephone systems.	Provide telephones and network to support day-to-day activities of City employees and access to the City by the public.			Core service
Support and maintain anti-virus and spam protection.	Protect City's information and resources in order to minimize or eliminate loss of employee productivity.			Core service
Ensure highly reliable and highly available systems including business continuance.	Ensure the City is available to the public when needed, especially Police and Fire protection.			Core service
Provide wireless access around the City campus and via cellular.	The City's workforce is becoming more mobile and the demand for wireless access to perform job duties in the field have increased.			Value-added
Provide remote access to the City's network and systems for telecommuters, employees in the field and software suppliers.	Support employees' working from home or remote locations and provide accessibility to suppliers who assist in the support of application software.			Value-added
Participate in the City Hall project.	Ensure the new City Hall will be able support communication needs, the network infrastructure and security needed for the City's employees.			Core service

**520 - INFORMATION SERVICES FUND (cont.)**

WHAT DO WE DO?	WHY DO WE DO IT?	HOW MUCH DOES IT COST?		IS IT LEGALLY MANDATED, CORE, OR VALUE ADDED SERVICE?
		2005-2006	2007-2008	
<b>SUPPORT SERVICES</b>		<b>\$133,950</b>	<b>\$1,173,639</b>	
The Help Desk provides a single-point of contact to respond and resolve PC issues.	Provide expedient resolution of issues affecting employee productivity.			Core service
Desktop management including PC-based security/protection; desktop standards; procurement; PC replacements; usage policies. - Currently have 1 staff for every 250 PCs. - Industry average is 1 staff for every 70 PCs.	Protect the City's infrastructure from client-based security issues; maintain a cost-effective and operational environment through standardized equipment specs; keeping those in line with increasing demands/changes in processing, storage and space require.			Core service
Maintain enterprise licensing programs; evaluate software needs by workgroup and by enterprise. Total enterprise licenses: 502.	Fulfill licensing compliance requirements.			Legally mandated
Provide citywide technical training offerings, available to all employees based on specific needs.	Ensure that employees have a cost-effective opportunity to improve their skills using those software programs that are core to their service delivery processes.			Value-added
Maintain an internal web site for purposes of information dissemination and provide an easy-to-use interface to a variety of web-based applications.	Enhances our collective ability to work more efficiently by providing self-service applications (and the instructions on how to use them) in one place; reduces the amount of personal training and repetitive distribution of information.			Value-added
Ending Fund Balance		\$423,806	\$363,192	
<b>TOTAL INFORMATION SERVICES FUND BUDGET</b>		<b>\$5,600,799</b>	<b>\$7,061,971</b>	

**520 - INFORMATION TECHNOLOGY FUND**

**REVENUE SUMMARY BY OBJECT**

<b>INFORMATION TECHNOLOGY</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
Beginning Fund Balance	\$299,580	\$212,892	(\$86,688)	-28.9%	-14.5%
Transfer from General Fund	\$3,938,228	\$4,734,832	\$796,604	20.2%	10.1%
Transfer from Operating Grants	\$0	\$32,271	\$32,271	n/a	n/a
Transfer from Solid Waste	\$0	\$22,441	\$22,441	n/a	n/a
Transfer from CIP	\$0	\$131,568	\$131,568	n/a	n/a
Transfer from Fleet Fund	\$0	\$66,132	\$66,132	n/a	n/a
Transfer from Insurance Fund	\$0	\$27,803	\$27,803	n/a	n/a
Transfer from Water/Wastewater	\$634,879	\$1,012,344	\$377,465	59.5%	29.7%
Transfer from Stormwater	\$720,612	\$671,388	(\$49,224)	-6.8%	-3.4%
Software License/Support Fees	\$7,500	\$150,300	\$142,800	1904.0%	952.0%
<b>Grand Total</b>	<b>\$5,600,799</b>	<b>\$7,061,971</b>	<b>\$1,461,172</b>	<b>26.1%</b>	<b>13.0%</b>

**520 - INFORMATION TECHNOLOGY FUND**

**EXPENDITURE SUMMARY BY OBJECT**

<b>INFORMATION TECHNOLOGY</b>	<b>2005-2006 Budget</b>	<b>2007-2008 Budget</b>	<b>Budget to Budget Difference</b>	<b>2-year % change</b>	<b>1-year % change</b>
<b>Salaries</b>					
Salaries and Wages	\$3,160,980	\$3,526,065	\$365,085	11.5%	5.8%
<b>Salaries Total</b>	<b>\$3,160,980</b>	<b>\$3,526,065</b>	<b>\$365,085</b>	<b>11.5%</b>	<b>5.8%</b>
<b>Benefits</b>					
MEBT	\$229,273	\$256,814	\$27,541	12.0%	6.0%
PERS	\$43,135	\$233,639	\$190,504	441.6%	220.8%
Benefits - Medical Premiums	\$412,801	\$544,968	\$132,167	32.0%	16.0%
Benefits - Worker's Compensation	\$14,150	\$17,447	\$3,297	23.3%	11.7%
Other Benefits	\$5,796	\$6,001	\$205	3.5%	1.8%
<b>Benefits Total</b>	<b>\$705,155</b>	<b>\$1,058,869</b>	<b>\$353,714</b>	<b>50.2%</b>	<b>25.1%</b>
<b>Supplies</b>					
Small Tools/Equip/Hardw/Softw	\$164,850	\$181,554	\$16,704	10.1%	5.1%
Office and Other Supplies	\$28,800	\$29,918	\$1,118	3.9%	1.9%
Repairs/Maintenance Supplies	\$0	\$10,000	\$10,000	n/a	n/a
<b>Supplies Total</b>	<b>\$193,650</b>	<b>\$221,472</b>	<b>\$27,822</b>	<b>14.4%</b>	<b>7.2%</b>
<b>Professional Services</b>					
Professional Services	\$238,000	\$229,998	(\$8,002)	-3.4%	-1.7%
Communications	\$41,978	\$35,991	(\$5,987)	-14.3%	-7.1%
Travel	\$9,000	\$20,349	\$11,349	126.1%	63.1%
Repairs - Outside	\$682,557	\$1,032,292	\$349,735	51.2%	25.6%
Other Services and Charges	\$97,142	\$124,862	\$27,720	28.5%	14.3%
<b>Professional Services Total</b>	<b>\$1,068,677</b>	<b>\$1,443,492</b>	<b>\$374,815</b>	<b>35.1%</b>	<b>17.5%</b>
<b>Interfund Transfers</b>					
Interfund - Fleet	\$8,531	\$622	(\$7,909)	-92.7%	-46.4%
<b>Interfund Transfers Total</b>	<b>\$8,531</b>	<b>\$622</b>	<b>(\$7,909)</b>	<b>-92.7%</b>	<b>-46.4%</b>
<b>Capital Purchases Total</b>	<b>\$40,000</b>	<b>\$448,259</b>	<b>\$408,259</b>	<b>1020.6%</b>	<b>510.3%</b>
<b>Ending Fund Balance</b>					
Ending Fund Balance	\$272,772	\$200,021	(\$72,751)	-26.7%	-13.3%
Reserves	\$30,000	\$30,000	\$0	0.0%	0.0%
Salary and Benefit Contingency	\$121,034	\$133,171	\$12,137	10.0%	5.0%
<b>Ending Fund Balance Total</b>	<b>\$423,806</b>	<b>\$363,192</b>	<b>(\$60,614)</b>	<b>-14.3%</b>	<b>-7.2%</b>
<b>Grand Total</b>	<b>\$5,600,799</b>	<b>\$7,061,971</b>	<b>\$1,461,172</b>	<b>26.1%</b>	<b>13.0%</b>