

# INTERNAL SERVICE FUND





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# VEHICLE & EQUIPMENT REPLACEMENT PROGRAM - (VERP) FUND

The City establishes a schedule for the replacement of vehicles and large equipment in a sinking fund. To better plan for the future and level out significant increases in any one year's budget, a funding mechanism accumulates funds utilizing annual payments to the VERP Fund (03). The program calls for the setting aside of funds, on an amortized basis, to pay for expensive equipment that will require replacement in future years. In this way, budget hardships in any given year due to the need to replace a particular piece of expensive equipment can be avoided.

## VERP REPLACEMENT

Replacement funding is provided through an annual contribution by each department for the assets used by the department based on the estimated replacement cost and the life cycle. These payments are made to a dedicated fund. It is intended that the City use this method to purchase all of its vehicles, trucks, and heavy equipment replacements.

### Basic Funding Assumptions:

1. A fixed amount will be set aside each year for each replacement.
2. The balance set aside grows each year until the accumulated fund balance approximates the amount needed in the year for the replacement.

3. Budget approval by the Council, as part of annual budget adoption, is required before purchase from the VERP.
4. Surplus balances will be used to adjust the VERP contributions in subsequent years.
5. The replacement payment is calculated by factoring in the unit price as delivered, expected service life, residual value, and anticipated inflation to replace the original unit.

The fund balance for each VERP account is managed to ensure that the payments remain fairly level each year, with a positive fund balance.

### Basic Guideline for Vehicle Replacement/Lifecycles

Description of Vehicle	Avg. Replacement Cycle
Automobile (excluding police cars)	8 years
Automobile (police admin cars)	7 years
Automobile (patrol cars)	4 years
Pickup Trucks	8 years
Snow Plow Trucks & Equipment	5 years
Heavy Equipment	10 - 15 years

**VERP FUND (03)**

	2013-14 Actual	2014-15 Actual	2015-16 Adopted	2015-16 Projected	2016-17 Adopted	2017-18 Forecast	2018-19 Forecast
<b>Fund Balance</b>							
<b>Beginning of Year</b>							
General	245,511	511,205	610,957	612,320	574,881	692,549	702,185
Enterprise	55,184	34,676	145,651	136,509	144,544	219,553	206,916
Parks and Recreation	46,369	82,708	72,682	109,021	148,004	184,859	214,278
<b>Revenue</b>							
Transfers In							
Administration	9,160	9,160	9,160	9,160	9,160	9,115	9,115
Community Development	9,994	9,994	11,704	11,704	9,047	9,047	9,047
Engineering	12,629	11,624	11,624	11,624	11,624	11,624	11,624
Emergency Management	3,936	3,936	3,936	3,936	3,936	3,936	3,936
Police	149,348	132,381	132,918	132,918	97,466	97,466	97,466
Streets	162,285	94,018	94,209	94,209	96,787	96,851	96,851
Water	47,130	55,958	49,411	49,411	49,411	49,411	49,411
Sewer	47,130	55,958	49,411	49,411	49,411	49,411	49,411
Parks	49,839	51,460	56,126	56,126	56,126	51,266	51,379
<b>Total Revenue - General</b>	<b>347,352</b>	<b>261,113</b>	<b>263,551</b>	<b>263,551</b>	<b>228,020</b>	<b>228,039</b>	<b>228,039</b>
<b>Total Revenue - Enterprise</b>	<b>94,260</b>	<b>111,916</b>	<b>98,822</b>	<b>98,822</b>	<b>98,822</b>	<b>98,822</b>	<b>98,822</b>
<b>Total Revenue - Parks and Recreation</b>	<b>49,839</b>	<b>51,460</b>	<b>56,126</b>	<b>56,126</b>	<b>56,126</b>	<b>51,266</b>	<b>51,379</b>
<b>Total Fund Bal &amp; Revenues - General</b>	<b>592,863</b>	<b>772,318</b>	<b>874,508</b>	<b>875,871</b>	<b>802,901</b>	<b>920,588</b>	<b>930,224</b>
<b>Total Fund Bal &amp; Revenues - Enterprise</b>	<b>149,444</b>	<b>146,592</b>	<b>244,473</b>	<b>235,331</b>	<b>243,366</b>	<b>318,375</b>	<b>305,738</b>
<b>Total Fund Bal &amp; Revenues - Parks/Recreation</b>	<b>96,208</b>	<b>134,168</b>	<b>128,808</b>	<b>165,147</b>	<b>204,130</b>	<b>236,125</b>	<b>265,657</b>
<b>Expenditures</b>							
Vehicle Payment							
Administration			-	-	17,970	17,500	-
1 ea. Fusion							
Community Development			42,001	39,291	-	-	-
Engineering			-	-	-	-	-
Emergency Management			-	-	-	-	-
Police	81,658	159,998	157,671	144,375	92,382	91,059	101,825
3 ea. SUV's							
Streets			129,835	117,324	-	109,844	111,045
Water/Sewer	114,768	10,083	93,341	90,787	23,813	111,459	65,794
1 ea. F-150							
Parks and Recreation	13,500	25,147	27,250	17,143	19,271	21,847	85,622
1 ea. Finish Mower							
1 ea. Aerator							
<b>Total Expenditures - General</b>	<b>81,658</b>	<b>159,998</b>	<b>329,507</b>	<b>300,990</b>	<b>110,352</b>	<b>218,403</b>	<b>212,870</b>
<b>Total Expenditures - Enterprise</b>	<b>114,768</b>	<b>10,083</b>	<b>93,341</b>	<b>90,787</b>	<b>23,813</b>	<b>111,459</b>	<b>65,794</b>
<b>Total Expenditures - Parks and Recreation</b>	<b>13,500</b>	<b>25,147</b>	<b>27,250</b>	<b>17,143</b>	<b>19,271</b>	<b>21,847</b>	<b>85,622</b>
<b>Fund Balance - General</b>	<b>511,205</b>	<b>612,320</b>	<b>545,001</b>	<b>574,881</b>	<b>692,549</b>	<b>702,185</b>	<b>717,354</b>
<b>Fund Balance - Enterprise</b>	<b>34,676</b>	<b>136,509</b>	<b>151,132</b>	<b>144,544</b>	<b>219,553</b>	<b>206,916</b>	<b>239,944</b>
<b>Fund Balance - Parks and Recreation</b>	<b>82,708</b>	<b>109,021</b>	<b>101,558</b>	<b>148,004</b>	<b>184,859</b>	<b>214,278</b>	<b>180,035</b>

# RESTRICTED REVENUE FUND

The FY 2010 Budget established a Restricted Revenue Fund to account for and restrict funds that the City receives for a specific purpose but which might not be spent in that budget year.

The following revenue accounts have been established:

- Municipal Court Cash Bond Interest
- Police Training Municipal Court Fee
- 911 Distributions
- Transfers from Other Funds

## RESTRICTED EXPENDITURES

- Municipal Court Cash Bond Interest is revenue that comes from cash bonds received from defendants. These funds may be used by the Municipal Court department on items associated with the operation of the court.
- A police training fee is added to fines imposed by the municipal judge. Fees raised may be used only for police training.
- 911 Distribution funds may be used for expenses associated with the upgrade, maintenance and enhancement of the 911 system. This revenue was eliminated when County voters passed a county-side sales tax for emergency communications in 2012.

### ***Transfers from the General Fund:***

- Funds amassed for a Dangerous Buildings Fund, to be used by the Community Development department to abate dangerous buildings that cannot be abated by any other means than City action. An amount of \$20,000 is being maintained in this account, with no contributions from the General Fund in FY 2017.
- The City's Growth Management Plan is updated every 5-10 years. When the update occurs, it is typically expensive. A transfer of \$10,000 per year is made from the General Fund to this fund to save for the cost of new update in the future. Following the approval of this budget the accumulated total will be \$40,000.
- This budget includes a transfer to the Restricted Revenue Fund of half the expected cost of the 2017 Citizen Survey. \$7,000 Following the approval of this budget the accumulated total will be \$7,000.

## SIGNIFICANT BUDGETARY ISSUES

1. It was budgeted in FY 2013 to spend the entirety of the funds collected from the Cass County 911 Tax, which has been discontinued, on replacement of equipment as part of the

Police Department renovation that occurred in FY 2013. The renovation project came in under budget, leaving a balance of \$93,840 to start FY 2014. Communication expenses related to 911 will continue to be paid out of this fund until all funds have been exhausted. These expenses will then need to be covered by the General Fund. FY 2017 will close out these funds. \$6,051

2. In FY 2015 the Council set aside \$483,000 to be transferred to the Capital Improvement Fund to provide additional assistance to the pavement management program. The funds are to be transferred as follows: 2017 - \$150,000; 2018 - \$150,000; 2019 - \$33,000.
3. Included in this budget is a transfer to the General Fund to fund the 2017 Citizen Survey. \$14,000



**RESTRICTED REVENUE FUND (04)**

	2013-14 Actual	2014-15 Actual	2015-16 Adopted	2015-16 Projected	2016-17 Adopted	2017-18 Forecast	2018-19 Forecast
<b>Fund Balance</b>							
<b>Beginning of Year</b>							
Court Cash Bond Interest	84	138	181	173	219	265	311
Police Training	6,396	12,534	2,549	17,439	14,992	9,045	14,498
911 Distribution	92,445	58,658	22,786	28,837	6,051	0	0
Transfer from Other Funds	30,000	1,198,250	2,402,951	2,208,250	629,185	610,367	602,549
<b>Revenue</b>							
Court Cash Bond Interest	54	35	43	46	46	46	46
Police Training	6,138	4,905	5,415	5,453	5,453	5,453	5,453
911 Annual Distribution	-	-	-	-	-	-	-
Interest Earnings	494	5,275	500	15,185	15,182	15,182	15,182
Transfer from Other Funds							
for Future GMP Update	10,000	10,000	10,000	10,000	10,000	10,000	10,000
for Strategic Plan	10,000	10,000	10,000	10,000			
for 2017 Citizen Survey	7,000	7,000	7,000	7,000		7,000	
For Future Recreation Center/Civic Center	1,041,250	500,000					
for Future Comp/Class Study					10,000	10,000	10,000
for Special District Agreement	100,000						
For Pavement Management 2016-2019		483,000					
For Trees Board Arboretum					10,000		
For Water District Issue			100,000	100,000	100,000	100,000	100,000
<b>Total Revenue - Court Cash Bond Interest</b>	<b>54</b>	<b>35</b>	<b>43</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>46</b>
<b>Total Revenue - Police Training</b>	<b>6,138</b>	<b>4,905</b>	<b>5,415</b>	<b>5,453</b>	<b>5,453</b>	<b>5,453</b>	<b>5,453</b>
<b>Total Revenue - 911 Distribution</b>	<b>494</b>	<b>5,275</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue - Transfer from Other Funds</b>	<b>1,168,250</b>	<b>1,010,000</b>	<b>127,500</b>	<b>142,185</b>	<b>145,182</b>	<b>142,182</b>	<b>135,182</b>
<b>Total Fund Bal &amp; Revenues - Court Cash Bond Interest</b>	<b>138</b>	<b>173</b>	<b>224</b>	<b>219</b>	<b>265</b>	<b>311</b>	<b>357</b>
<b>Total Fund Bal &amp; Revenues - Police Training</b>	<b>12,534</b>	<b>17,439</b>	<b>7,964</b>	<b>22,892</b>	<b>20,445</b>	<b>14,498</b>	<b>19,951</b>
<b>Total Fund Bal &amp; Revenues - 911 Distribution</b>	<b>92,939</b>	<b>63,933</b>	<b>22,786</b>	<b>28,837</b>	<b>6,051</b>	<b>0</b>	<b>0</b>
<b>Total Fund Bal &amp; Revenues - Transfer from Other Funds</b>	<b>1,198,250</b>	<b>2,208,250</b>	<b>2,530,451</b>	<b>2,350,435</b>	<b>774,367</b>	<b>752,549</b>	<b>737,731</b>
<b>Expenditures</b>							
Court Cash Bond Interest							
Police Training							
7350-1010 Restricted PD Training	-		7,900	7,900	11,400		
911 Distribution							
6160-1100 911 Exp/communications Dept requested \$0	34,281	35,096	22,786	22,786	6,051	-	-
Transfer to General Fund - Citizen Survey	-				14,000		
Transfer to the General Fund - Strategic Plan			30,000	30,000			
Transfer to Transportation Fund - Pavement Management			150,000	150,000	150,000	150,000	33,000
Transfer to Capital Improvement Fund			1,541,250	1,541,250			
Tree Board Arboretum					10,000		
<b>Total Expenditures - Court Cash Bond Interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures - Police Training</b>	<b>-</b>	<b>-</b>	<b>7,900</b>	<b>7,900</b>	<b>11,400</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures - 911 Distribution</b>	<b>34,281</b>	<b>35,096</b>	<b>22,786</b>	<b>22,786</b>	<b>6,051</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures - Transfer to Other Funds</b>	<b>-</b>	<b>-</b>	<b>1,721,250</b>	<b>1,721,250</b>	<b>164,000</b>	<b>150,000</b>	<b>33,000</b>
<b>Fund Balance - Court Cash Bond Interest</b>	<b>138</b>	<b>173</b>	<b>224</b>	<b>219</b>	<b>265</b>	<b>311</b>	<b>357</b>
<b>Fund Balance - Police Training</b>	<b>12,534</b>	<b>17,439</b>	<b>64</b>	<b>14,992</b>	<b>9,045</b>	<b>14,498</b>	<b>19,951</b>
<b>Fund Balance - 911 Distribution</b>	<b>58,658</b>	<b>28,837</b>	<b>-</b>	<b>6,051</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fund Balance - Transfer - Other Funds</b>	<b>1,198,250</b>	<b>2,208,250</b>	<b>809,201</b>	<b>629,185</b>	<b>610,367</b>	<b>602,549</b>	<b>704,731</b>

Note: Below is the breakdown of the Transfer from Other Funds:

Fund Balance - Rolling total per subcategory	2013-14 Actual	2014-15 Actual	2015-16 Adopted	2015-16 Projected	2016-17 Adopted	2017-18 Forecast	2018-19 Forecast
for Dangerous Building Abatement	20,000	20,000	20,000	20,000	20,000	20,000	20,000
for Future GMP Update	20,000	30,000	40,000	40,000	50,000	60,000	70,000
for Strategic Plan	10,000	20,000	-	-	-	-	-
for 2017 Citizen Survey	7,000	14,000	21,000	21,000	7,000	14,000	14,000
For Future Recreation Center/Civic Center	1,041,250	1,541,250	-	-	-	-	-
for Future Comp/Class Study	-	-	-	-	10,000	20,000	30,000
Other	-	-	500	15,185	30,367	45,549	60,731
for Special District Agreement	100,000	100,000	100,000	100,000	100,000	100,000	100,000
For Pavement Management 2016-2019	-	483,000	333,000	333,000	183,000	33,000	-
For Water District Issue	-	-	100,000	100,000	200,000	300,000	400,000
<b>Fund Balance - Transfer - Other Funds</b>	<b>1,198,250</b>	<b>2,208,250</b>	<b>614,500</b>	<b>629,185</b>	<b>600,367</b>	<b>592,549</b>	<b>694,731</b>

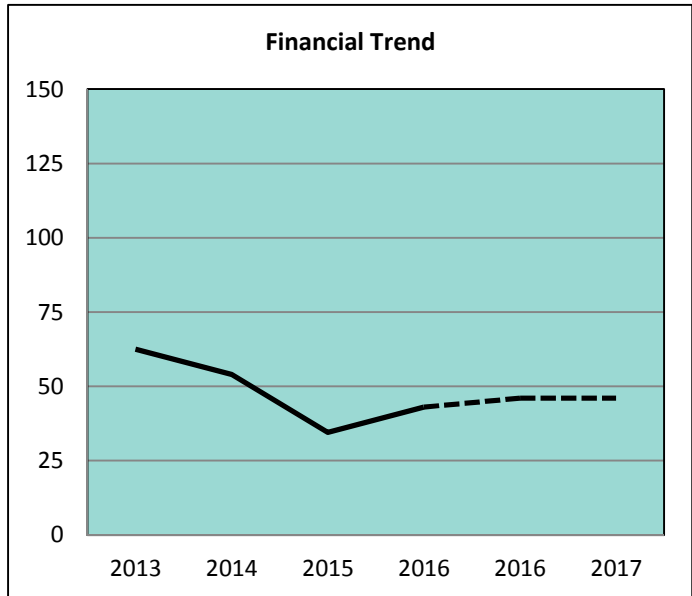
# Municipal Court Cash Bond Interest

<b>General Ledger Codes:</b>  <b>04-00-4251-0000</b>	<b>Legal Authority:</b>  <b>Municipal code: Section 130.290</b> <b>State Statute: 479 &amp; 483.312</b>
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## Revenue Description and Projection Rationale

**Municipal Court Cash Bond Interest** - The Court maintains a bank account for cash bonds received from defendants that earns interest monthly. The earnings from this account are available for the Court Clerk's discretionary spending.

Fiscal Year	Collection	Annual Percentage Change
2007 Actual	1,303	372.05%
2008 Actual	519	-60.15%
2009 Actual	9	-98.23%
2010 Actual	11	17.81%
2011 Actual	2	-78.34%
2012 Actual	19	694.47%
2013 Actual	63	234.87%
2014 Actual	54	-13.71%
2015 Actual	35	-36.00%
2016 Budget	43	24.53%
2016 Projected	46	6.98%
2017 Estimated	46	0.00%





# Police Training

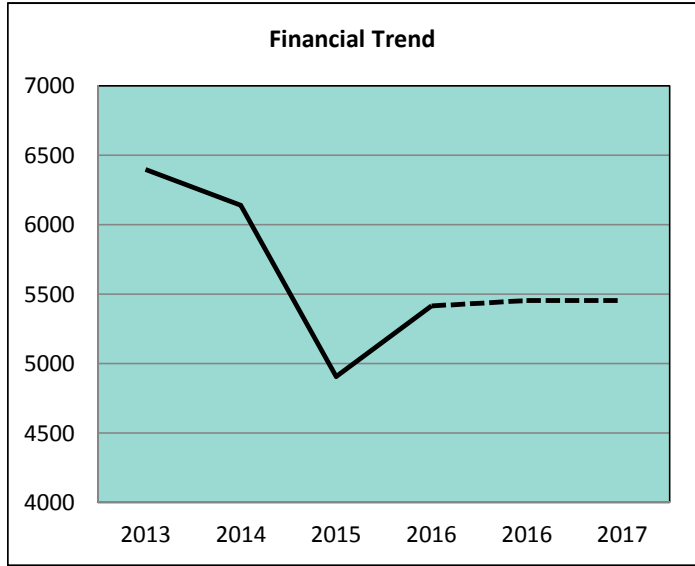
<b>General Ledger Codes:</b> <b>04-00-4255-0000</b>	<b>Legal Authority:</b> <b>Municipal Code: Section 130.290</b> <b>State Statute: Chapters 479 &amp; 483 &amp; 590</b>
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## Revenue Description

**Police Training Fees** - In addition to any fine that may be imposed by the municipal judge there are assessed as costs in all cases a Police Training fee of \$2.00. This assists in providing additional funds for training of police officers.

This revenue source has been allocated to the Restricted Revenue Fund (04) since FY 2012.

Fiscal Year	Collection	Annual Percentage Change
2007 Actual	4,408	0.66%
2008 Actual	4,022	-8.76%
2009 Actual	5,338	32.72%
2010 Actual	4,065	-23.84%
2011 Actual	4,713	15.94%
2012 Actual	4,606	-2.28%
2013 Actual	6,396	38.86%
2014 Actual	6,138	-4.04%
2015 Actual	4,905	-20.08%
2016 Budget	5,415	10.39%
2016 Projected	5,453	0.70%
2017 Estimated	5,453	0.00%



# Interest Revenue

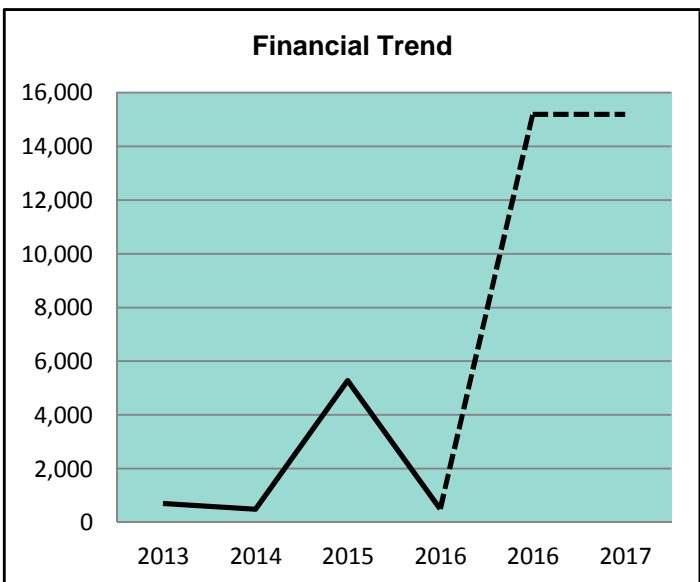
<b>General Ledger Codes:</b> <p style="text-align: center;"><b>04-00-4350-0000</b></p>	<b>Legal Authority:</b> <p style="text-align: center;"><b>State Statute: Chapter 82</b></p>
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## Revenue Description

**Interest Revenue** - This account is used to record revenues associated with the City's return on investments of idle funds. FY16 revenues were estimated based on historical data and the assumption of no change in interest rates, however, interest rates have risen slightly throughout the year and continue to do so.

FY17 revenues are based on current interest rates being earned.

Fiscal Year	Collection	Annual Percentage Change
2007 Actual	0	N/A
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	987	N/A
2011 Actual	1,467	48.72%
2012 Actual	922	-37.17%
2013 Actual	699	-24.14%
2014 Actual	494	-29.33%
2015 Actual	5,275	967.20%
2016 Budget	500	-90.52%
2016 Projected	15,185	2937.00%
2017 Estimated	15,182	-0.02%



# Transfers from General Fund

<b>General Ledger Codes:</b>	<b>Legal Authority:</b>
04-00-4901-0000	Municipal Code: n/a

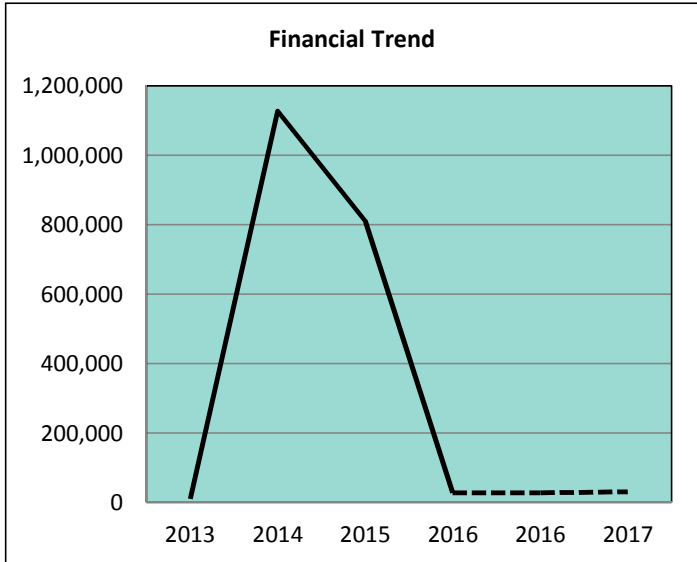
## Revenue Description

**Transfer from General Fund** - This is a transfer from the General Fund of the City to the Restricted Revenue Fund.

Funds are transferred from the General Fund in the following amounts for the following purposes in FY 2017:

* Growth Management Plan Sinking Fund:	\$10,000
* Future Comp/Class Study:	\$10,000
* Tree Board Fund - Arboretum	<u>\$10,000</u>
	\$ 30,000

Fiscal Year	Collection	Annual Percentage Change
2007 Actual	0	N/A
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	115,814	N/A
2011 Actual	109,666	-5.31%
2012 Actual	0	-100.00%
2013 Actual	10,000	N/A
2014 Actual	1,127,000	11170.00%
2015 Actual	810,000	-28.13%
2016 Budget	27,000	-96.67%
2016 Projected	27,000	0.00%
2017 Estimated	30,000	-25.93%



# Transfers from Capital Improvement Sales Tax Fund

<b>General Ledger Codes:</b> <b>04-00-4945-0000</b>	<u><b>Legal Authority:</b></u>  <b>Municipal Code: n/a</b>
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## Revenue Description

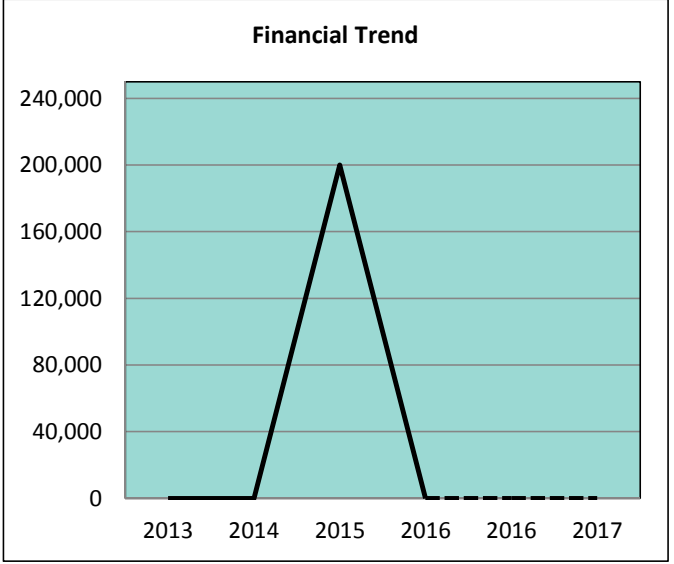
**Transfer from CIST Fund** - This is a transfer from the Capital Improvement Sales Tax Fund of the City to the Restricted Revenue Fund.

Funds are transferred from the CIST Fund in the following amounts for the following purposes in FY 2015:

\* Future Civic Center:                      \$200,000

No transfers are budgeted for FY 2017 at this time.

Fiscal Year	Collection	Annual Percentage Change
2007 Actual	0	N/A
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	0	N/A
2011 Actual	0	N/A
2012 Actual	0	N/A
2013 Actual	0	N/A
2014 Actual	0	N/A
2015 Actual	200,000	N/A
2016 Budget	0	N/A
2016 Projected	0	N/A
2017 Estimated	0	N/A



# Transfers from Parks Sales Tax Fund

<b>General Ledger Codes:</b> <b>04-00-4947-0000</b>	<b>Legal Authority:</b>  <b>Municipal Code: n/a</b>
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## Revenue Description

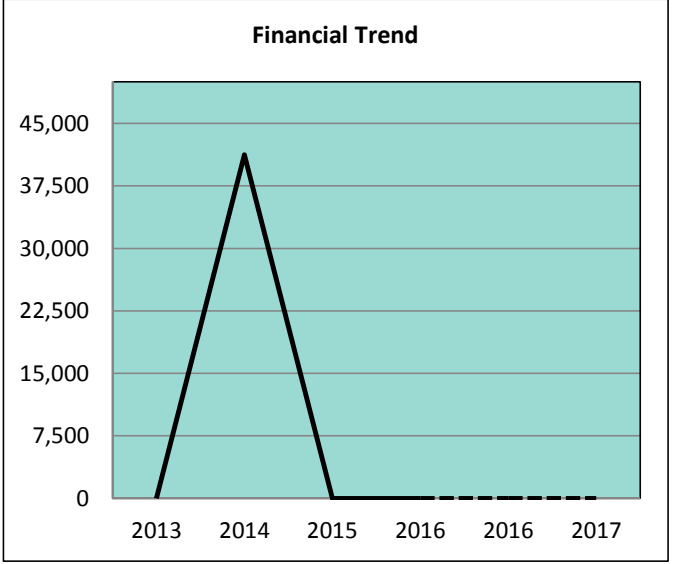
**Transfer from Parks Sales Tax Fund** - This is a transfer from the Parks Sales Tax Fund of the City to the Restricted Revenue Fund.

Funds were transferred from the Parks Sales Tax Fund in the following amounts for the following purposes in FY 2014:

\* Future Civic Center:                      \$41,250

No transfers are budgeted for FY 2017 at this time.

Fiscal Year	Collection	Annual Percentage Change
2007 Actual	0	N/A
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	0	N/A
2011 Actual	0	N/A
2012 Actual	0	N/A
2013 Actual	0	N/A
2014 Actual	41,250	N/A
2015 Actual	0	N/A
2016 Budget	0	N/A
2016 Projected	0	N/A
2017 Estimated	0	N/A



# Transfers from Enterprise Fund

<b>General Ledger Codes:</b> <b>04-00-4950-0000</b>	<u><b>Legal Authority:</b></u>  <b>Municipal Code: n/a</b>
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## Revenue Description

**Transfer from Enterprise Fund** - This is a transfer from the Enterprise Fund of the City to the Restricted Revenue Fund.

Funds are transferred from the Enterprise Fund to create a reserve of funds for a pending water district issue.

Fiscal Year	Collection	Annual Percentage Change
2007 Actual	0	N/A
2008 Actual	0	N/A
2009 Actual	0	N/A
2010 Actual	0	N/A
2011 Actual	0	N/A
2012 Actual	0	N/A
2013 Actual	0	N/A
2014 Actual	0	N/A
2015 Actual	0	N/A
2016 Budget	100,000	N/A
2016 Projected	100,000	0.00%
2017 Estimated	100,000	0.00%

