

# Facilities Services Operating Fund

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**Managing Bureau:** Office of Management and Finance, Bureau of Internal Business Services

**Statement of Purpose:** The Facilities Services Operating Fund accounts for all of the facilities-related programs and capital projects managed by the Office of Management and Finance. Services include building operations and maintenance, interior space remodels and reconfigurations, janitorial services, and property and capital project management. Debt issuance is also a resource for capital projects, with the resulting principal and interest obligations generally being incorporated into the rental rates.

**Sources of Revenue:** The fund's primary sources of revenue are service reimbursements from City bureaus for space rental and other services, cash transfers for costs related to City Hall, and revenues from tenants occupying City-owned space. The fund also receives revenues for outside agencies and other organizations for services provided, interest income on its fund balance, and proceeds from debt sales.

**Contingency Requirements:** Per Financial Policy 2.04, contingency funds should be used to address reasonable but unforeseen requirements within the fiscal year. There are no minimum or maximum contingency requirements for the fund.

**Reserve Requirements:** The operating reserve size requirement is 5% to 10% of the fund's fixed cost annual operating budget. The Operating Reserve has two purposes, to fund one-time, emergency, or unanticipated expenditure requirements, and to maintain current service levels in the event of unanticipated revenue reductions within a fiscal year. There is no applicable alternative mean of meeting required reserves. Authorized uses include funding one-time, emergency, or unanticipated expenditure requirements and maintaining current service levels in the event of unanticipated revenue reductions within a fiscal year. The reserve can only be used after it is determined that the operating budget cannot fund the expenditure, or cannot be updated for a revenue reduction, and the bureau director and Chief Administrative Officer have approved the use.

The capital reserve size requirement is 0.5% to 1% of the replacement values of the facilities the fund owns. The Capital Reserve backstops the fund's major maintenance accounts and are used for the following purposes: To fund one-time, emergency, or unanticipated expenditure requirements that cannot be covered by the major maintenance budget, to maintain major maintenance project funding levels in the event of unanticipated revenue reductions within a fiscal year that cannot be covered by the major maintenance budget to fund investment opportunities that will allow the City to take advantage of emerging technologies or other business opportunities that will increase service levels and/or reduce costs. There is no applicable alternative mean of meeting required reserves. Authorized uses include funding one-time, emergency, or unanticipated expenditure requirements that cannot be covered by the major maintenance budget, maintaining major maintenance project funding levels in the event of unanticipated revenue reductions within a fiscal year that cannot be covered by the major maintenance account, funding investment opportunities that will allow the City to take advantage of emerging technologies or other business opportunities that will increase service levels and/or reduce costs. The reserve can only be used after it is determined that a

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building's major maintenance account cannot fund the expenditure, or cannot be updated for a revenue reduction, and the bureau director and Chief Administrative Officer have approved the use.

Major maintenance reserves are based on actual collections from major maintenance rates less actual expenses for projects. The reserve funds major maintenance projects for facilities the fund owns. There is no required reserve level. Major maintenance projects are identified by Facilities Services. The appropriation for these projects is approved by the Council as part of the budget process. Each year the reserve receives money from major maintenance rate revenues.

If a fund's reserves are lower than the target levels, the fund will use income from higher-than budgeted collections or lower-than-budgeted expenditures to come up to the required reserve. Rates can be set at levels higher than actual costs in order to replenish reserves, as long as overall costs to customers stay within the level of inflation and rates remain competitive with outside vendors. Additionally, a fund's manager has the option of going to Council and, through a decision package, requesting a rate increase over the level of targeted inflation to replenish reserves.

**Disposition of Funds:** In the event the fund is closed, all remaining resources would be returned to City bureau customers based on prior year levels of services received. Any residual amounts posted to the fund after closure would revert to the General Fund.

**Method for periodically testing the cost-effectiveness of pre-funding capital replacement versus leasing or lease purchasing for capital goods:** When the need to acquire a capital good arises several factors contribute to the financing mechanism used for acquiring the goods. These include the fund has in place replacement programs for capital equipment so the fund has cash available for the replacement purchase when the equipment is at the end of its useful, the fund has cash reserves that can be used to cash finance purchases, the City's cost of borrowing is lower than the private sector, the relative size and term of the need compared to the capital outlay required. For example, the fund leases small amounts of office space because to purchase/construct a building would not be cost effective, the existence of opportunities to leverage resources by partnering with other organizations.

**Equipment replacement policies:** Policies are documented in Chapter 4.05 and 4.09 of the Office of Management & Finance's policies and procedures.

**Method of accounting for equipment reserves and purchases for each bureau:** The fund maintains subsidiary ledgers to account for each building's (or in the case of Police facilities, groups of buildings) major maintenance account. These are updated annually as part of the fund's year end fund balance analysis. Purchases are tracked in the City's financial system.

**Policy and procedure for protecting capital reserves from being used for operating purposes:** Policies are documented in Chapter 4 of the Office of Management & Finance's policies and procedures.

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**Method for testing the cost-effectiveness of providing services internally:** When the need for a service is identified, the manager decides on directing City staff to perform the services or contracting out the work depending on a number of factors including:

- Union agreements
- Costs/value
- When the work needs to be done
- Time required to deliver the service
- Capacity of staff
- Expertise of staff
- Availability of equipment required to provide service
- Any extreme risk associated with the work
- The existence of warranties
- Any requirements from the funding source