Technology Services Fund

Managing Bureau: Office of Management and Finance, Bureau of Technology Services

Statement of Purpose: The purpose of this fund is to receive and record expenditures related to the management, operation and delivery of a variety of technology services to City bureaus, offices and other governmental agencies. The fund also supports facilitation of multi-year funding of major technology initiatives.

Sources of Revenue: The fund's revenues are interagency revenue from City bureaus for services provided as well as cash transfers for projects benefiting bureau customers. The fund also receives revenues from outside agencies and other organizations for services provided and sales of equipment, interest earnings, and other miscellaneous income.

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%-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. 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 increase, and the Chief Technology Officer (CTO) and Chief Administrative Officer have approved the use. 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, the CTO 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.

No size policy requirements exist for the technology reserve, but the preferred level should be sufficient to fund capital and operating projects in the five-year plan net of major maintenance collections. The Technology Reserve backstops the fund’s major maintenance accounts and is used for the following purposes, to fund one-time, emergency, or unanticipated capital and operating project expenditure requirements that cannot be covered by the major maintenance budget or for which major maintenance funds are not collected, 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 and to hold major maintenance funds for projects planned in out-years, 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. Authorized uses include, funding one-time, emergency, or unanticipated capital and operating
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project 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, and 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 major maintenance collections are insufficient to fund the expenditure, and the CTO and Chief Administrative Officer have approved the use. The fund will use income from higher-than-budgeted collections or lower-than-budgeted expenditures to replenish reserves. 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, the CTO 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.

The major maintenance reserve size is based on actual collections from major maintenance rates less actual expenses for projects. The reserve funds major maintenance projects for Geographic Information Systems, Telecommunications, Production Services, and Radio System projects. There is no required reserve level. Major maintenance projects to do are identified by BTS and approved by the CTO. 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.

The equipment replacement reserve size is based on actual collections from equipment replacement rates less actual expenses for purchases. The reserve funds the replacement of equipment the fund owns, maintains and assigns to bureaus. Equipment to replace is identified and the purchase and expenditure of replacement equipment is approved by bureau and Business Operations personnel. Each year the reserve receives money from equipment replacement rate revenues.

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 life, 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 space on radio towers when its need is small and to construct a tower would be very expensive, and 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 its reserves and purchases. For equipment reserves, these ledgers are updated annually as part of the fund’s year-end fund balance analysis. Purchases are tracked in the City’s financial system. Records are maintained to account for each bureau’s replacement account. Similarly with major maintenance, ledgers are updated annually as part of the year-end analysis and 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.

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