

# EBS Services Fund

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**Managing Bureau:** Office of Management and Finance, Citywide Projects

**Statement of Purpose:** The Enterprise Business Solution (EBS) Services Fund supports the implementation, maintenance, and continuous improvement of the City's SAP integrated resource planning system. The fund currently supports financial system users and human resources and payroll users in business groups across the City.

**Sources of Revenue:** The fund's primary sources of revenue are service reimbursements from City bureaus, interest earnings, and cash transfers.

**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 reduction, and the fund manager 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 fund 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.

No size requirements exist for the technology reserve, but the preferred level should be sufficient to fund capital and operating projects in the five-year plan. The technology reserve is used for the following purposes, to fund one-time, emergency, or unanticipated capital and operating project expenditure requirements, and 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 project expenditure requirements, 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 be used after a need has been determined and the fund manager 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

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**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, and customer need and resource capacity.

**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:** Not applicable.

**Policy and procedure for protecting capital reserves from being used for operating purposes:** OMF financial policies and procedures and City financial 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