

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



650

**FROM:** Purchasing and Fleet Services

**SUBMITTAL DATE:**  
May 10, 2004

**SUBJECT: CENTRAL MAIL INTERNAL SERVICE FUND ESTABLISHMENT, RATES, AND ADVANCE FOR FISCAL YEAR 2004-05**

**RECOMMENDED MOTION:** That the Board of Supervisors approve:

1. The establishment of the Central Mail Internal Service Fund and;
2. The Central Mail rates in Attachment A, and;
3. The advance of \$500,000 from the Fleet Services Fund to the Central Mail Fund to provide working capital to this new fund.

**BACKGROUND:** Internal Service Funds are established to account for the provision of goods and/or services within a governmental unit, or to other governmental units, on a cost recovery basis.

At present, the Central Mail Division in the Department of Purchasing and Fleet Services recovers all of its direct costs, and most of its indirect costs, relating to postage, folding, and inserting through direct charges to users. These charges generated \$3.37 million in revenue in Fiscal Year 2002-2003 (FY 2003). The remaining indirect costs and interoffice delivery costs of \$404,291 in FY 2003 were funded through Net County Cost.

Departmental Concurrence

*[Signature]*

ROBERT HOWDYSHELL, Director  
Purchasing and Fleet Services Department

|                       |                               |            |                         |     |
|-----------------------|-------------------------------|------------|-------------------------|-----|
| <b>FINANCIAL DATA</b> | Current F.Y. Total Cost:      | \$ 0       | In Current Year Budget: | No  |
|                       | Current F.Y. Net County Cost: | \$ 0       | Budget Adjustment:      | No  |
|                       | Annual Net County Cost:       | \$ 409,712 | For Fiscal Year:        | N/A |

|   |                                  |                          |
|---|----------------------------------|--------------------------|
| <b>SOURCE OF FUNDS:</b> Department charges, Fleet Services and General Fund | Positions To Be Deleted Per A-30 | <input type="checkbox"/> |
|   | Requires 4/5 Vote                | <input type="checkbox"/> |

**C.E.O. RECOMMENDATION:**

**APPROVE**

County Executive Office Signature

*[Signature]*

FISCAL PROCEDURES APPROVED  
 ROBERT E. BYRLE, Auditor-Controller  
 BY *[Signature]*  
 Deputy

Dept's Recomm.:  Consent  Policy  
 Per Exec. Ofc.:  Consent  Policy

**Prev. Agn. Ref.:** | **District:** ALL | **Agenda Number:**

**3.24**

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Transition to an internal service fund (ISF) will provide a better allocation of interoffice pick-up and delivery costs to users. County entities will be billed according to the number of deliveries, pick-ups, and mail stops that they have. We anticipate current revenue levels for current service levels will remain constant. It will require little additional administrative infrastructure within Central Mail as the software and billing process is already in place.

Transition to an ISF will also enable Central Mail to present a clear business alternative to departments, which operate their own interoffice sorting and delivery services. If these departments can reduce their costs by utilizing Central Mail, there will be a reduction in duplicated trips and an overall cost saving within the county. In addition, some other departments currently utilize a meter for processing their own mail. Adding their volumes to the rest of the county's mail may increase the county's volume discount level and reduce the total postage cost paid.

**FY04/05 RATES**

The proposed FY 04/05 envelope processing rates (Attachment A) have not changed from FY 03/04; however, new rates have been established for flats (letter and legal sized envelopes), third party delivery carriers (UPS), certified and registered mail, small folding/inserting jobs, and interoffice pick-up and delivery services. All of these are to be directly billed to departments based on levels of requested service.

Mail processing rates are based on U.S. Postal rates and subject to change if national postage rates change. All county rates are based upon the premise that current County of Riverside customers will maintain their Central Mail pick-up and delivery services in all locations where they continue to maintain offices. A significant decrease in the number of users would result in insufficient revenues to continue to offer service at these rates.

Because the new interoffice delivery and pick-up service fees were not available during the normal budget preparation cycle, departments did not have the opportunity to budget for this additional cost, estimated at \$631,916. In lieu of imposing this unbudgeted cost on departments, the Executive Office proposes to cover up to a maximum of \$409,712, of Central Mail's FY 04/05 delivery and pick-up costs, with the remaining costs to be covered by non-county departments and a loan from the Fleet Services fund. Increases to the interoffice pickup and delivery rates will be postponed until FY05/06. The remaining rates will be effective July 1, 2004.

The one time funding, recommended by the Executive Office, is equivalent to the anticipated FY 04/05 net county cost allocation of \$348,901 plus County Support Service charges of \$60,811. Additional working capital, covering a portion of the remaining FY 04/05 mail delivery costs and other start up costs, will be advanced from the Fleet Services fund, to be repaid over a maximum of six years. The interest rate charged on this advance will be equal to the interest rate paid by the Fleet Services fund on its outstanding non-vehicle financing. Net county cost savings of \$348,901 per year is anticipated for FY05/06 and the years succeeding.

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Personnel

The current 11 authorized positions will be preserved and transferred to the new ISF. One additional Customer Service Representative I is being requested in the FY 04/05 budget to bar code mail, enabling Central Mail to qualify for lower postage rates. Central Mail currently contracts out for this service.

## Attachment A

# Central Mail Services Rate Structure

| Mail and Shipping Services               |         |                 |                 |
|--|---------|-----------------|-----------------|
| Item                                     | Postage | Processing Rate | Customer Charge |
| <b>USPS Class Rates:</b>                 |         |                 |                 |
| <u>Nonautomated #10 Envelopes ≤ 1 oz</u> |         |                 |                 |
| First Class-Single Piece                 | 0.370   | -               | 0.370           |
| First Class-Presorted                    | 0.352   | 0.018           | 0.370           |
| <u>Postcard-Single Piece</u>             | 0.230   | -               | 0.230           |
| Postcard-Presorted                       | 0.212   | 0.018           | 0.230           |
| <u>Automated #10 Envelopes ≤ 1 oz</u>    |         |                 |                 |
| Mixed AADC                               | 0.309   | 0.061           | 0.370           |
| AADC                                     | 0.301   | 0.069           | 0.370           |
| 3 Digit-Presort                          | 0.292   | 0.078           | 0.370           |
| 5 Digit Presort                          | 0.278   | 0.092           | 0.370           |
| <u>Flats ≤ 1 oz</u>                      | 0.490   | 0.012           | 0.502           |
| <u>Flats ≤ 2 oz &gt; 1 oz</u>            | 0.600   | 0.012           | 0.612           |
| <u>Flats ≤ 3 oz &gt; 2 oz</u>            | 0.830   | 0.012           | 0.842           |
| <u>Standard (Bulk Mail)</u>              |         |                 |                 |
| Basic-Presorted                          | 0.268   | -               | 0.268           |
| Mixed AADC - Automated - Average Cost    | 0.219   | 0.049           | 0.268           |
| UPS and Other Delivery Services          | Cost    | 0.424           | Cost + .424     |
| Certified, Registered                    | Cost    | 0.424           | Cost + .424     |
| Post Office Boxes                        | Cost    |                 | Cost            |
| Prepaid Airborne Express Envelopes*      | 8.85    | 0.650           | 9.50            |
| Prepaid Airborne Express Packs*          | 12.25   | 0.800           | 13.05           |

| Folding and Inserting Services               |                 |
|--|-----------------|
| Item   | Customer Charge |
| Folding per Sheet                            | 0.010           |
| Inserting First Sheet                        | 0.020           |
| Inserting Additional Sheets                  | 0.005           |
| Set-up Charge for Jobs Totaling < 600 Sheets | 10.000          |

\*Varies with Airborne Express Rates