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Bill Luna
County Executive Officer

Jay E. Orr
Assistant County Executive Officer

Executive Office, County of Riverside

February 3, 2009

Honorable Board of Supervisors
County of Riverside
Robert T. Andersen Administrative Center
4080 Lemon Street, 5th Floor
Riverside, CA 92501-3651

SUBJECT: FY 2009/10 Internal Service Fees

Annually, in accordance with Board Policy B-4, internal service department managers, the Auditor-Controller, and the Executive Office evaluate existing and proposed charges for services. Internal fees include those from departments that administer true Internal Service Funds (ISFs), as well as those, such as Human Resources and Records Management, that function much like an ISF. Also included this year are the productive hourly rates for Facilities Management.

Following this memo are department proposals for next year's rates, to be incorporated into the proposed budget. All departments were directed by the Executive Office to reduce fees by 10% for FY 2009/10. Below is a summary of the rate changes, in millions of dollars, requested by service departments and recommended by this office.

Internal Service	FY 09/10 Recommended Changes in Charges
Central Mail	(0.07)
Facilities Management	(3.5)
Fleet Services	(1.1)
Human Resources	(1.3)
Information Technology	(3.1)
Liability Insurance	(2.0)
Medical Malpractice	(1.3)
OASIS	(2.4)
Printing Services	(1.0)
Property Insurance	2.8
Records Management	0.02
Supply Services	0
Unemployment Insurance	0
Workers Compensation	(3.2)
TOTAL CHANGE (in millions)	(\$16.15)

3.31 A-L

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OASIS rates have been reduced by 10% as directed.

Fleet service rates have been reduced as directed. The Printing Services and Central Mail rates have been reduced and will yield a marginal decrease in costs. Supply Services rates have been reduced by the requisite 10%, however, there will be a slight increase in revenue due primarily to an increase in costs of goods.

The Records Management and Archive program has met the 10% fee reduction. There will, however, be a slight increase in revenue from additional new services.

The Information Technology department has developed rates to meet the 10% reduction. RCIT has instituted a number of cost reduction programs in order to meet the criteria for reduced rates.

The Human Resources rate per employee will decrease by 15% based on a per capita cost in FY 08/09 of \$1,013 reduced to \$878 in FY 09/10.

The proposed risk management rates were developed to attain a 70% confidence level consistent with current practice (in other words, there is a 70% probability that the fund would be able to cover projected claims). The proposed reduction of 16% in Workers Compensation rates is a result of continued implementation of Board approved cost containment programs such as the Return-to-work program, Injury Intervention Therapy to treat repetitive motion injuries and Utilization Review/Medical Management. The proposed decrease in General Liability costs is primarily due to the better-than-expected results from the county's claims management efforts and use of fund reserves. The proposed Medical Malpractice rate decrease reflects a reduction in the number of Medical Malpractice claims, combined with Riverside County Regional Medical Center's performance improvement efforts. Unemployment Insurance is a self-funded benefit program required by the State of California; the annual review of this fund indicates that the rate and fund reserve are adequate and do not require any change. The Short-Term Disability rate increase is due primarily to changes in MOU's. Long-Term disability insurance will see a reduction in the rate to meet the rate guarantee level and determined through negotiations with the standard insurance company. The Property Insurance program costs are estimated to increase by 62% due to increases in total number of County owned properties along with unexpected financial issues of the insurance industry.

The Facilities Management Department has met the directed 10% decrease in charges and continues to use the productive rate methodology as previously approved by the Board.

It should be noted that during this time of a declining economy, county departments may not purchase all anticipated additional services, which may reduce the overall revenue to the departments providing these services. Such departments have been instructed to monitor these changes and make adjustment as necessary.

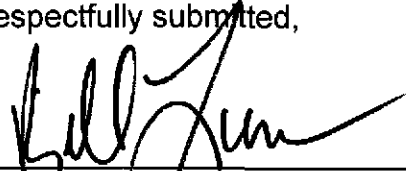
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It is, therefore, recommended that the Board of Supervisors approve each of the attached rate-related proposals from OASIS, Supply Services, Central Mail, Printing, Records Management, Information Technology and Human Resources (Including; Workers Comp, Property Insurance, Liability Insurance, Medical Malpractice and Unemployment Insurance) and Facilities Management.

Respectfully submitted,



BILL LUNA
County Executive Officer

Attachments

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