

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

259



FROM: Economic Development Agency

SUBMITTAL DATE:
May 17, 2010

SUBJECT: Custodial Division Internal Service Fund Establishment and Advance for Fiscal Year 2010-2011

RECOMMENDED MOTION: That the Board of Supervisors:

1. Approve the attached Custodial division Business Plan;
2. Authorize the Auditor-Controller to establish an interest bearing Internal Service Fund for the Economic Development Agency (EDA) Custodial division; and
3. Approve a General Fund loan, in the amount of \$1,240,091, to provide 60 days working capital to be repaid by the end of FY 2010/11.

BACKGROUND: (Commences on page 2)

Departmental Concurrence

Robert Field
Assistant County Executive Officer/EDA

FINANCIAL DATA	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:	\$ 0	For Fiscal Year:	10/11

COMPANION ITEM ON BOARD OF DIRECTORS AGENDA: No

SOURCE OF FUNDS: Department charges county departments and non-county departments and agencies	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

The department will repay the loan, including interest, at the general fund investment pool market rate, by the end of FY10/11.

APPROVE

County Executive Office Signature

ilicy
 ilicy

Dept'l Recomm.: nsent
 Per Exec. Ofc.: nsent

Prev. Agn. Ref.:

District: All

Agenda Number:

3.12

BACKGROUND:

Internal service funds may be used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. Internal service funds should be used only if the reporting government is the predominant participant in the activity.

At present, the Custodial Division in the Economic Development Agency (EDA) recovers all of its direct costs and most of its indirect costs, related to custodial services through direct charges to users. These charges generated \$16.5M in revenue in FY 2008-2009. The custodial division is classified as a general fund budget. For FY 10/11, the Custodial Division will not receive any net county cost and must be self-supporting. Thus, EDA recommends the Custodial Division is structured as an internal services fund.

Customers will be billed actual costs for the number of labor hours spent providing a service. For facilities with multiple occupants, the cost will be split by percentage of space occupied for each department. The proposed rates for FY 10/11 are the same rates as FY 09/10.

The loan from the General Fund is being requested to provide 60 days working capital until revenues have been received by the division. Services are billed one month in arrears. The loan will be repaid by June 30, 2011 with revenues received from services provided.

ATTACHMENT A
Proposed EDA FY 2010/11
Custodial Division Productive Hourly Rates

	<u>FY 09/10</u> <u>Current</u>	<u>FY 10/11</u> <u>Proposed</u>	<u>FY 09/10</u> <u>Current OT</u>	<u>FY 10/11</u> <u>Proposed OT</u>
<u>Custodial Division</u> (Productive Hourly Rate)	\$ 37.88	\$ 37.88	\$ 48.38	\$ 48.38
<u>Overhead Factor</u>	2.38%	2.38%		

Note: In order to recapture EDA's administrative costs attributable to managing contract services provided to customers, the Overhead Factor (O/H) is applied to direct charged outsourced custodial contract services and extermination services.



County of Riverside
Economic Development Agency
Custodial Division

Business Plan
Fiscal Years 2011-2013

April 2010

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Executive Summary

Internal Service Funds (ISF) are "specifically designed for goods or services that are provided on a cost-reimbursement basis. The goal of an internal service fund should be to measure the full cost of providing goods and services for the purpose of fully recovering that cost through fees or charges."

The goal of this business plan is to provide Custodial services to departments, agencies, and component units of the county as well as other governmental units. This plan will outline current operations of this division and the vision it foresees by removing its dependency on general funds and relying 100% on service revenues.

The success of this business plan will be this department's ability to demonstrate the benefits of its services in a manner that is efficient and cost effective.

Business Plan

Name

This Internal Service Fund will be known as EDA Custodial Division.

Mission Statement

The Custodial Division cleans county facilities and contracts for custodial services to maintain cleanliness of facilities, which promotes the health of the occupants. The division also contributes to sustainable communities by purchasing equipment and chemicals that help protect the environment.

Target Market

The primary customers for this ISF will be departments, agencies, and component units of the County of Riverside. Other governmental units and entities associated with the County will be offered services provided they are willing to pay the associated rate for the services.

Operating Plan

Customers

All departments, agencies, other governmental units, and component units of the County of Riverside will have access to the services offered.

Operating Facilities

Eastern Region – 46263 Oasis Street, Indio
Western Region – 4090 County Circle Drive, Riverside
Southwest Region – 30755 Auld Road, Murrieta

Customer Service Standards

Each facility will be cleaned based on the Custodial Division task schedule. Individual departments, agencies, other governmental units, and component units of the County of Riverside can negotiate different levels of service to control costs.

Quality Control

In accordance with Board Policy A-49, the Economic Development Agency (EDA) submits a Customer Satisfaction Annual Report.

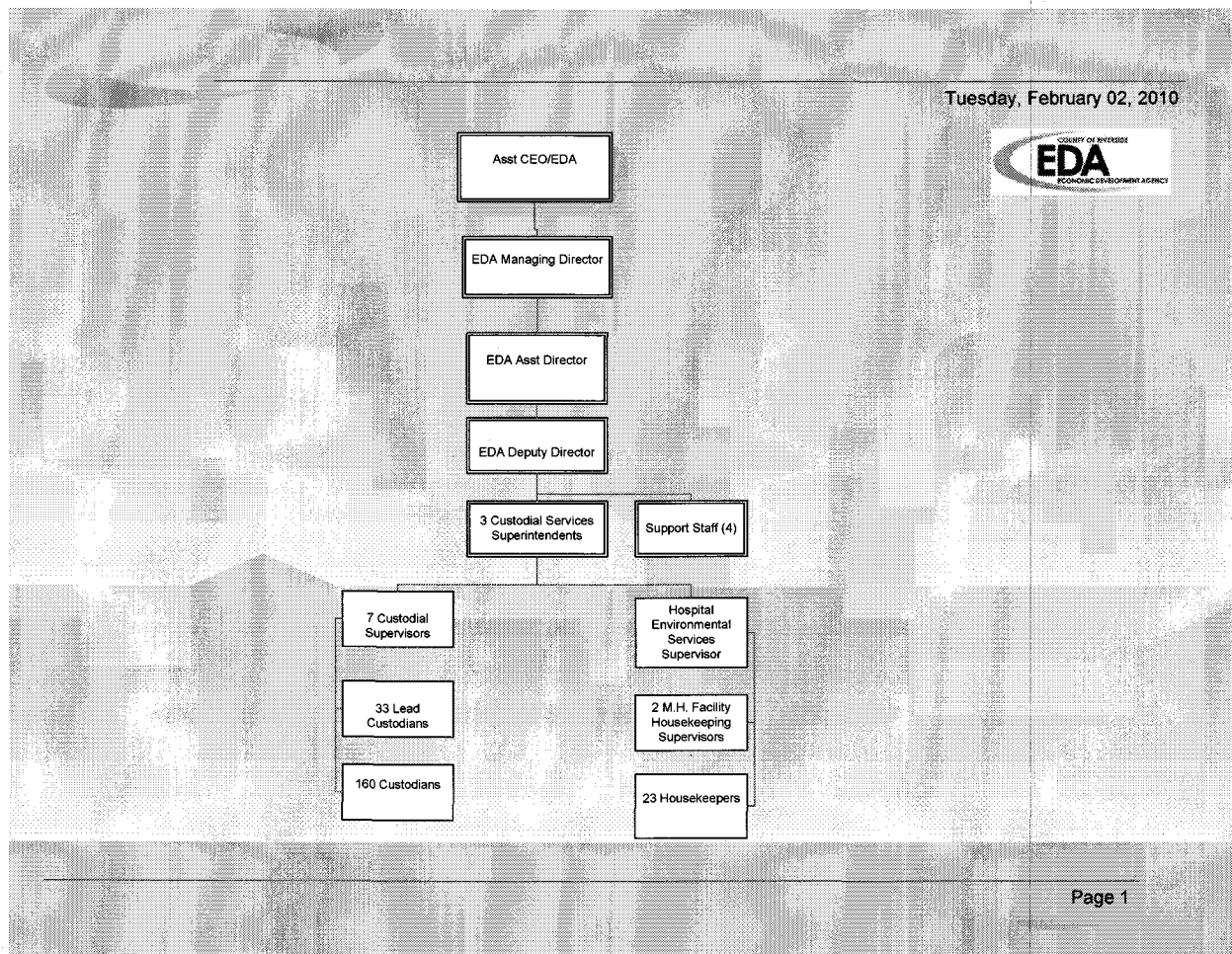
Once per year, a survey will be sent out to all County Department Heads and other agency/government customers.

Custodial Division will be rated for the following:

1. Is your office/work space dusted, trash removed and floors vacuumed to your satisfaction?
2. Are the surrounding office areas (to include bathrooms and floors) cleaned and well stocked?
3. Overall, how satisfied are you with the services you receive from the Custodial Division?

Organizational Plan

Organizational Chart



Staffing Detail

Two hundred thirty (234) dedicated staff will be required for this ISF. They are:

- (1) EDA Deputy Director Custodial Division to provide program management oversight including budgeting, recruitment, process assessment and improvement, identifying and addressing customer custodial needs, services, and ensuring quality control.
- (3) Custodial Division Superintendents to provide program management support to the Deputy Director of the Custodial Division and oversee the day-to-day custodial operations.
- (7) Custodial Supervisors to supervise on-site day-to-day custodial service delivery in support of the Custodial Division Superintendents at various county offices and sites.

Organizational Plan Cont'd

- (33) Lead Custodians responsible for providing oversight of custodial service delivery in support of the Custodial Supervisors at various county offices and sites.
- (160) Custodians to provide day-to-day custodial services to county offices and sites countywide.
- (1) Hospital Environmental Services Supervisor to supervise on-site day-to-day custodial service delivery in support of the Custodial Division Superintendents at Mental Health hospital sites countywide.
- (2) Mental Health (M.H.) Housekeeping Supervisors to supervise on-site day-to-day custodial service delivery in support of the Hospital Environmental Services Supervisor at Mental Health hospital sites countywide.
- (23) Housekeepers to provide day-to-day custodial services at Mental Health sites countywide.
- (4) Administrative Support staff for the Deputy Director and division. Classifications include Office Assistant III, Secretary II, and Administrative Services Analyst II.

Financial Plan

Financial Goals

The State of California Accounting Standards and Procedures for Counties Manual section 13.06 states:

“ISF charges should not produce any significant profit or loss in the long run. They should recover only the total costs of such services but should not result in any appreciable loss or require subsidies to avoid such losses.....This should not preclude the county from contributing start-up operating capital, funding for additional capital assets, or amounts to cover increased costs of capital asset replacement.”

Rates

The proposed rates are based upon the premise that current County of Riverside customers will maintain their current service delivery at all locations they are located in.

Rate Comparison by County

Position Title	San Bernardino County	San Diego County	Riverside County
Custodian I	\$36.00 per hour	Contracted	
Custodian II	\$37.00 per hour		
Supervising Custodian	\$44.00 per hour		
All Classifications			\$37.88 per hour

Budget

The proposed budget for FY 2010/2011:

Estimated Revenues:

Account	Description	FY2010/2011 Requested Amount
777150	Custodial	\$ 15,587,944
Revenue Total		\$ 15,587,944

Financial Plan Cont'd

Appropriations:

Account	Description	FY2010/2011 Requested Amount
Salaries and Benefits		
510040	Regular Salaries	\$ 7,038,727
510440	Administrative Leave	5,928
515200	Retiree Health Ins	18,720
517000	Workers Comp Insurance	183,047
51800-518180	Budgeted Benefits	4,624,450
	Appropriation 1:	\$ 11,870,872
Supplies and Services		
520115	Uniforms-Replacement Clothing	\$ 28,828
520230	Cellular Phone	55,037
520320	Telephone Service	5,689
520330	Communication Services	17,622
520815	Cleaning and Custodial Supp	973,631
520820	Janitorial Services	312,404
520850	Cleaning Equipment	40,000
520930	Insurance-Liability	16,119
520945	Insurance-Property	3,670
521380	Maint-Copier Machines	1,505
521640	Maint-Software	6,418
522360	Maint-Extermination	135,171
523100	Memberships	240
523620	Books/Publications	2,186
523640	Computer Equip-Non Fixed Asset	44,352
523680	Office Equip Non Fixed Assets	9,800
523700	Office Supplies	25,749
523760	Postage-Mailing	6,772
523840	Computer Equipment-Software	1,702
524500	Administrative Support-Direct	1,175,102
524560	Auditing and Accounting	26,709
524760	Data Processing Services	27,975
524840	Fingerprinting Services	1,302
524960	Interpreters-Translator Fees	605
525060	Medical Examinations-Physicals	4,774
525100	Medical-Lab Services	24,163.00
525140	Personnel Services	177,372

Financial Plan Cont'd

Account	Description	FY2010/2011 Requested Amount
525300	OASIS Processing-Financials	148,808
525310	OASIS Processing- HRMS	60,232
525340	Temporary Help Services	12,460
525440	Professional Services	10,900
527100	Fuel	21
527280	Awards/Recognition	225
527860	Training-Materials	435
528020	Inventory-Stores	200,000
528920	Car Pool Expense	158,994
	Appropriation 2:	\$ 3,716,972
Capital Assets		
546140	Equipment-Office	\$ 100
546380	Vehicles Other	-
	Appropriation 4:	\$ 100
	Expense Total	\$ 15,587,944

Financial Plan Cont'd

Financial Statements

The pro-forma financial statements are presented on the following pages:

**EDA - Custodial Division.
 Pro Forma Statement of Net Assets
 Projected for Fiscal Years Ending June 30, 2011 through 2013**

	2011	2012	2013
Assets			
Current Assets:			
Cash	\$ 1,153,482	\$ 1,998,374	\$ 2,221,424
Inventory	101,353	106,421	111,742
Total Current Assets	<u>1,254,835</u>	<u>2,104,794</u>	<u>2,333,165</u>
Non Current Assets:			
Capital Assets:			
Machinery & Equipment	24,589	18,300	14,094
Less: Allowance for depreciation	6,289	4,206	3,165
Total Capital Assets	<u>18,300</u>	<u>14,094</u>	<u>10,929</u>
Total Assets	<u>1,273,136</u>	<u>2,118,888</u>	<u>2,344,094</u>
Liabilities			
Current Liabilities:			
Vouchers Payable	91,440	96,012	100,813
Payroll Payable	785,852	825,144	866,402
Compensated Absences	276,191	307,952	343,367
Total Current Liabilities	<u>1,153,482</u>	<u>1,229,109</u>	<u>1,310,581</u>
Long-term Liabilities:			
Equipment Financing	-	-	-
Compensated Absences	560,750	625,237	697,139
Total Long-term Liabilities	<u>560,750</u>	<u>625,237</u>	<u>697,139</u>
Total Liabilities	<u>1,714,233</u>	<u>1,854,345</u>	<u>2,007,720</u>
Net Assets			
Invested in Capital Assets, net of debt	18,300	14,094	10,929
Fund Balance, 7/1/2011			
Designated - Working Capital	101,353	875,686	1,022,584
Designated - Capital Assets	(560,750)	(625,237)	(697,139)
Unrestricted			
Total Net assets	<u>\$ (441,097)</u>	<u>\$ 264,543</u>	<u>\$ 336,374</u>

Financial Plan Cont'd

Establishing an ISF will enable the division to consider the total economic costs, provide for on-going capital needs and provide rate stability, in support of the objectives set forth by the Board. The projected revenue and expenses follow:

**EDA - Custodial Division.
Pro Forma Statement of Revenues, Expenses & Changes in Net Assets
Projected for Fiscal Years Ending June 30, 2011 through 2013**

	2011	2012	2013
Operating Revenues	\$15,587,944	\$17,136,606	\$18,096,551
Operating Expenses	15,587,944	16,367,341	17,185,708
Operating Income	-	769,265	910,843
Change in net assets	(441,097)	705,640	71,831
Net assets - July 1	-	(441,097)	264,543
Net assets - June 30	(\$441,097)	\$264,543	\$336,374

For comparative purposes, the projected amounts are based on accounting methodology as an ISF for all three years. Net assets reflect an increase throughout the planning horizon to build towards working capital of 60 days on hand. This is important to provide financial stability and provide cash to meet short term needs.

Financial Plan Cont'd

Over the planning horizon, cash flow will be provided from operating activities.

**EDA - Custodial Division.
 Pro Forma Statement of Cash Flows
 Projected for Fiscal Years Ending June 30, 2011 through 2013**

	2012	2013
Cash Flows from Operating Activities:		
Cash received from customers	\$ 17,136,606	\$ 18,096,551
Cash paid to employees for services	(11,639,271)	(12,221,235)
Cash paid to suppliers	(3,806,704)	(3,997,259)
	<u>1,690,631</u>	<u>1,878,057</u>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital financing	-	-
Acquisition of Capital Assets	6,289	4,206
	<u>6,289</u>	<u>4,206</u>
Net increase in cash and cash equivalents		228,371
Cash and cash equivalents July 1	<u>1,254,835</u>	<u>1,254,835</u>
Cash and cash equivalents June 30	<u>1,254,835</u>	<u>1,483,206</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	769,265	910,843
Adjustments:		
Depreciation	(2,082)	(1,041)
(Increase)/decrease in receivables		
(Increase)/decrease in inventory	(5,068)	(5,321)
(Increase)/decrease in vouchers payable	4,572	4,801
(Increase)/decrease in payroll payable	39,293	41,257
(Increase)/decrease in compensated absences	96,248	107,317
Net cash provided by operating activities	<u>\$ 805,979</u>	<u>\$ 950,538</u>