

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

261



FROM: Economic Development Agency

SUBMITTAL DATE:
May 17, 2010

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

RECOMMENDED MOTION: That the Board of Supervisors :

1. Approve the attached Maintenance division Business Plan;
2. Authorize the Auditor-Controller to establish an interest bearing Internal Service Fund for the Economic Development Agency (EDA) Maintenance division; and
3. Approve a General Fund loan, in the amount of \$2,102,000, 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

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 to county 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 FY 2010/11

APPROVE
Jennifer L. Sargent
BY
Jennifer L. Sargent

County Executive Office Signature

Dept't Recomm.: Consent Policy
 Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref.: **District:** All **Agenda Number:**

3.14

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 Maintenance Division in the Economic Development Agency (EDA) recovers all of its direct costs and most of its indirect costs, related to maintenance services through direct charges to users. These charges generated \$15M in revenue in FY 2008-2009. The Maintenance division is currently classified a General Fund budget. For FY10-11, the Maintenance division will not receive any net county cost and must be self-supporting. Thus EDA recommends the Maintenance division is structured as an internal service fund.

Transition to an internal service fund will provide a better allocation of Maintenance services costs to users. Customers will be billed actual costs for the number of labor hours spent in providing a service. For facilities with multiple occupants, the cost will be split by percentage of space occupied for each department.

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
Maintenance Services Productive Hourly Rates**

	<u>FY 09/10 Current</u>	<u>FY 10/11 Proposed</u>	<u>FY 09/10 Current OT</u>	<u>FY 10/11 Proposed OT</u>
<u>Maintenance Services</u> (Productive Hourly Rate)	\$ 69.84	\$ 69.84	\$ 86.65	\$ 86.65

Services Provided:

Weekly

Routine landscape maintenance

Monthly

Air handlers
Chillers
Cooling Towers
Pneumatic equipment
Circulating and lift pumps
Gas, electric and HVAC units
Exhaust fans
Emergency Lighting
Emergency generator equipment
Parking lot lighting
Elevator phones
Eyewash stations
Fire extinguishers
Fire sprinklers
Landscape equipment

Quarterly

Boilers
Water Heaters

Annual

Electric panels
Smoke detectors and dampers



County of Riverside

**Economic Development Agency
Maintenance Services 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 Maintenance 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 Maintenance Division.

Mission Statement

EDA's Maintenance Division provides reliable and quality facility services in the areas of preventative and corrective maintenance, project management, and building construction in over 300 county facilities. Our team is committed to providing safe, comfortable, efficiently operated and aesthetically pleasing buildings for all county employees and the general public. We strive for excellence and complete customer satisfaction.

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 maintained based on the maintenance preventive services schedule and on an as needed basis.

Quality Control

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

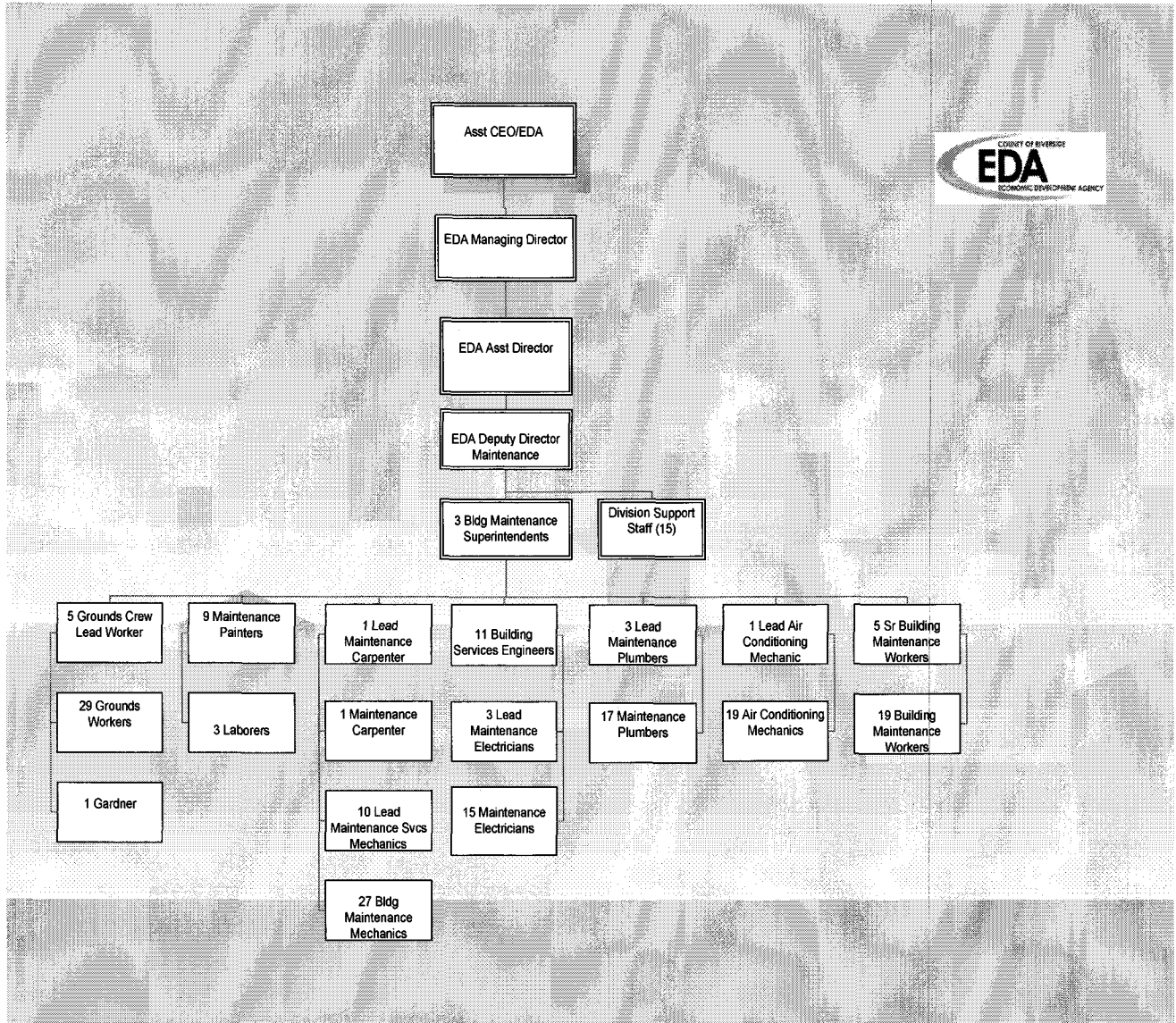
Once per year, a survey will be sent out to all County Department Heads and other agency/government customers.

Maintenance Services will be rated for:

- Responsiveness
- Communication
- Customer Satisfaction

Organizational Plan

Organizational Chart



Organizational Plan Cont'd

Staffing Detail

One Hundred Ninety-Eight (198) dedicated staff will be required for this ISF. They are:

- EDA Deputy Director Maintenance to provide general oversight and program management including business development, project management, budgeting, recruitment, process assessment and improvement, identifying and addressing customer maintenance needs and service levels provided while ensuring overall customer service and quality control of the Maintenance Division.
- (3) Building Maintenance Superintendents to assist and support the Deputy Director in oversight of the overall day-to-day facility maintenance operations including all aspects of pursuing and providing quality maintenance and facility repair services.
- (11) Building Services Engineers to support the Building Maintenance Superintendents by providing day-to-day oversight to the various facility maintenance trades and specialists assigned to service county facilities countywide.
- (1) Lead Maintenance Carpenter, (10) Lead Maintenance Service Mechanics, (3) Lead Maintenance Electricians, (3) Lead Maintenance Plumbers, (1) Lead Air Conditioning Mechanic, (5) Grounds Crew Lead Workers, and (5) Senior Building Maintenance Workers to support the Building Service Engineers and Building Maintenance Superintendents by providing day-to-day lead oversight to the various facility maintenance trades and specialties assigned to service county facilities countywide.
- (29) Grounds Workers, (1) Gardner, (9) Maintenance Painters, (3) Laborers, (1) Maintenance Carpenter, (27) Building Mechanics, (15) Maintenance Electricians, (17) Maintenance Plumbers, (19) Air Conditioning Mechanics, (19) Building Maintenance Workers responsible for providing day-to-day facility maintenance services in both the generalized and specialized facility trades countywide.
- (1) Development Specialist III, (1) Support Services Technician, (1) Development Specialist II, and (1) Principal Development Specialist.
- (6) Office Assistant III, (1) Secretary II, (2) Office Assistant II, (1) Supervising Office Assistant II, and (1) Facilities Project Manager 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

	San Bernardino County	San Diego County	Riverside County
	Square Footage rate based on building category	Square Footage rate based on building category	
Regular			\$69.84 per hour
Overtime	N/A	N/A	\$86.65 per hour

Budget

The proposed budget for FY 2010/2011:

Estimated Revenues:

Account	Description	FY2010/2011 Requested Amount
777340	Maintenance	\$ 21,603,724
777520	Reimbursement For Services	883,758
Total Revenue		\$ 22,487,482

Financial Plan Cont'd

Appropriations:

Account	Description	FY2010/2011 Requested Amount
Salaries and Benefits		
510040	Regular Salaries	\$ 9,316,748
510200	Payoff Permanent-Seasonal	103,930
510320	Temporary Salaries	5,000
510440	Administrative Leave	6,990
510620	Shift Differential	40,124
515200	Retiree Health Ins	15,840
517000	Workers Comp Insurance	150,509
518100	Budgeted Benefits	4,815,232
	Appropriation 1	\$ 14,454,373
Supplies and Services		
520015	Irrigation Supplies	\$ 3,125
520105	Protective Gear	5,765
520115	Uniforms-Replacement Clothing	36,000
520230	Cellular Phone	160,000
520240	Communications Equipment	8,000
520320	Telephone Service	80,000
520330	Communication Services	23,000
520930	Insurance-Liability	25,319
520945	Insurance-Property	53,234
521380	Maint-Copier Machines	900
521420	Maint-Field Equipment	6,144
521500	Maint-Motor Vehicles	7,833
521560	Maint-Other	180,000
521600	Maint-Service Contracts	16,792
521640	Maint-Software	51,340
521680	Maint-Underground Tanks	136,000
521700	Maint-Alarms	8,206
521720	Maint-Fire Equipment	176,046
521740	Maint-Parts	1,094,000
522300	Maint-Elevators	455,326
522310	Maint-Building and Improvement	500,000
522320	Maint-Grounds	312,000
522330	Maint-Indoor Lighting	14,000

Financial Plan Cont'd

Account	Description	FY2010/2011 Requested Amount
522360	Maint-Extermination	5,500
522380	Maint-Buildng Structure Repair	1,000
523220	Licenses And Permits	33,000
523660	Computer Supplies	650
523700	Office Supplies	15,000
523760	Postage-Mailing	12,000
523840	Computer Equipment-Software	13,614
524500	Administrative Support-Direct	2,331,766
524520	Administrative Support-Indir	9,000
524560	Auditing and Accounting	27,836
524760	Data Processing Services	223,804
525060	Medical Examinations-Physicals	4,004
525100	Medical-Lab Services	45,234
525140	Personnel Services	150,084
525300	OASIS Processing-Financials	105,313
525310	OASIS Processing- HRMS	51,834
525340	Temporary Help Services	1,245
526500	Rent-Lease Alarm Systems	36,500
526700	Rent-Lease Buildings	80,794
526940	Locks/Keys	50,000
526960	Small Tools And Instruments	53,000
527100	Fuel	24,400
527140	Welding Supplies	200
527280	Awards/Recognition	400
527680	Public Signs	20,000
527840	Training-Education/Tuition	15,000
527980	Contracts	110,088
528020	Inventory-Stores	19,613
528380	Disposal Fee	8,000
528500	Project Cost Expenses	500,000
528920	Car Pool Expense	731,200
	Appropriation 2	\$ 8,033,109
	Expense Total	\$ 22,487,482

Financial Plan Cont'd

Financial Statements

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

**EDA Maintenance Services
 Pro Forma Statement of Net Assets
 Projected for Fiscal Years Ending June 30, 2011 through 2013**

	2011	2012	2013
Assets			
Current Assets:			
Cash	\$ 1,463,645	\$ 2,758,788	\$ 2,887,502
Inventory	70,267	77,294	85,023
Total Current Assets	<u>1,533,912</u>	<u>2,836,082</u>	<u>2,972,525</u>
Capital Assets:			
Machinery & Equipment	449,517	449,517	449,517
Less: Allowance for depreciation	(229,990)	(273,256)	(308,037)
Total Capital Assets	<u>219,527</u>	<u>176,261</u>	<u>141,480</u>
Total Assets	<u>1,753,439</u>	<u>3,012,343</u>	<u>3,114,005</u>
Liabilities			
Current Liabilities:			
Vouchers Payable	302,348	308,395	314,563
Payroll Payable	816,276	832,602	849,254
Compensated Absences	345,021	384,698	428,938
Total Current Liabilities	<u>1,463,645</u>	<u>1,525,695</u>	<u>1,592,755</u>
Long-term Liabilities:			
Equipment Financing	-	-	-
Compensated Absences	700,497	781,054	870,875
Total Long-term Liabilities	<u>700,497</u>	<u>781,054</u>	<u>870,875</u>
Total Liabilities	<u>2,164,142</u>	<u>2,306,749</u>	<u>2,463,630</u>
Net Assets			
Invested in Capital Assets, net of debt	219,527	176,261	141,480
Fund Balance, 7/1/2011	-	-	-
Designated - Working Capital	70,267	1,310,387	1,379,770
Designated - Compensated Absences	(700,497)	(781,054)	(870,875)
Unrestricted	-	-	-
Total Net assets	<u>\$ (410,703)</u>	<u>\$ 705,594</u>	<u>\$ 650,375</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 Maintenance Services
 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	\$ 23,487,482	\$ 25,894,949	\$ 27,189,696
Operating Expenses	23,487,482	24,661,856	25,894,949
Operating Income	-	1,233,093	1,294,747
Change in Net Assets	-	1,233,093	1,294,747
Net Assets - July 1	-	-	1,233,093
Net Assets - June 30	\$ -	\$ 1,233,093	\$ 2,527,840

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 Maintenance Services
 Pro Forma Statement of Cash Flows
 Projected for Fiscal Years Ending June 30, 2012 through 2013**

	2012	2013
Cash Flows from Operating Activities:		
Cash received from customers	\$ 25,894,949	\$ 27,189,696
Cash paid to employees for services	(13,715,328)	(15,160,440)
Cash paid to suppliers	(10,924,155)	(10,711,689)
	<hr/>	<hr/>
Net cash provided by operating activities	1,255,466	1,317,567
	<hr/>	<hr/>
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital financing	-	-
Acquisition of Capital Assets	-	-
	<hr/>	<hr/>
Net cash used for capital and related activities	-	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,255,466	1,317,567
Cash and cash equivalents July 1	1,463,645	2,758,788
Cash and cash equivalents June 30	<hr/>	<hr/>
	2,719,111	4,076,355
	<hr/>	<hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	1,233,093	1,294,747
Adjustments:		
Depreciation	43,266	34,781
(Increase)/decrease in receivables	-	-
(Increase)/decrease in inventory	7,027	7,729
(Increase)/decrease in vouchers payable	6,047	6,168
(Increase)/decrease in payroll payable	16,326	16,652
(Increase)/decrease in compensated absences	120,234	134,061
Net cash provided by operating activities	<hr/>	<hr/>
	\$ 1,305,759	\$ 1,360,077