

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

746



**FROM:** County Executive Office

**SUBMITTAL DATE:**  
January 30, 2012

**SUBJECT:** Fiscal Year 2012/13 Internal Service Rates


**RECOMMENDED MOTION:** That the Board of Supervisors receive and file the following summary of the proposed FY 2012/13 Internal Service Rates.

**BACKGROUND:** On June 15, 2010, the Board of Supervisors approved the addition of Board Policy B-28 *Charges for Internal Services*. The implementation of this policy demonstrated a significant shift in approach to establishing rates for internal services.

In September 2011, the Executive Office distributed a memo to all internal service departments that directed departments to submit rates packages to the Executive Office and the Auditor-Controller no later than November 9, 2011. The Executive Office also directed departments to prepare rates with a 28 percent reduction to its FY 2010/11 actual operating expenditures with exemptions for fixed and or other vital costs. There were limited exceptions to this mandate.

On today's agenda, the proposed rates for internal service departments will be presented under separate cover for approval. These rate packages have been reviewed by the Executive Office and the Auditor-Controller's Office. Several departments are requesting a waiver of Board of Supervisor Policy B-28 so that unrestricted net assets may be used to offset operating expenses. The Executive Office recommends approval of these exceptions as the action reduces the costs that are passed on to the user departments through rates while allowing the internal service department to maintain adequate service levels.

*(Continues on Page 2)*

  
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Karen L. Johnson, Management Analyst

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ N/A	In Current Year Budget:	N/A
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	N/A
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	N/A

<b>SOURCE OF FUNDS:</b> N/A	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

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

APPROVE

BY:   
\_\_\_\_\_  
Christopher M. Hans

**County Executive Office Signature**

Dept's Recomm.:  Consent  Policy

Per Exec. Ofc.:  Consent  Policy

*Background (continued)*

The County Executive Officer met with internal service department in early October 2011 to discuss the expectations for preparing the rates. The Rate Review Committee (RRC) also met on January 9, 2011 with a follow-up meeting on January 17, 2011. The RRC included representatives from Assessor-Clerk-Recorder, Auditor-Controller, Department of Public Social Services, District Attorney, Executive Office, Sheriff, Transportation Land Management Agency, and Treasurer-Tax Collector. Internal Service departments were also available for questions and all rate submissions were discussed.

The table below shows total savings to departments is estimated to be over \$12 million.

<b>Department</b>	<b>Estimated Reduction/(Increase)</b>
Auditor- Controller Payroll	130,380
County Central Mail	270,000
County Counsel	----
County Fleet Services	1,800,000
County Printing Services	unknown decrease
County Supply Services	251,394
EDA - Custodial	4,444,609
EDA – Maintenance	2,905,396
EDA - Project Management	unknown decrease
EDA - Real Estate	unknown increase
Human Resources - General	2,366,461
HR – Auto/General Liability	(3,317,973)
HR - Medical Malpractice	(5,051,000)
HR – Property	1,727,371
HR – Short term Disability	(24,000)
HR – Temporary Assistance Pool	751,000
HR – Unemployment Insurance	(114,929)
HR – Workers’ Compensation	1,220,006
OASIS – Financials	152,762
OASIS - HRMS	28,731
RCIT (Non – PSEC)	4,715,658
RMAP	-
<b>Total Savings</b>	<b>\$12,255,866</b>

Actual savings to departments will be dependent on service levels. The following is a synopsis of all internal service department submissions:

Auditor-Controller Payroll

The proposed rate includes a five percent decrease in rate per warrant processed. The total expected savings to user departments is \$130,380.

County Central Mail

The proposed rate will remain unchanged from the current fiscal year. For Fiscal Year 2012/13, Central Mail will waive 56 percent of daily delivery charges. Total expected savings to departments is \$270,000. To accomplish this, the department is requesting a waiver of Board Policy B-28 for the use of unrestricted net assets to offset the delivery charge waiver.

County Counsel

The proposed rate will remain unchanged from the current fiscal year. There will be a reduction in services to general government departments.

County Fleet

The proposed rate will remain unchanged from the current fiscal year. For Fiscal Year 2012/13, Fleet will waive its administrative service charges and 43 percent of fixed monthly maintenance charges. The total expected savings to user departments is \$1.8 million. To accomplish this, the Fleet is requesting a waiver of Board Policy B-28 for the use of unrestricted net assets to offset the waived charges.

County Printing

Except for color prints, the proposed rate for most printing services will remain unchanged from the current fiscal year. User department savings will be dependent on the department's service requests.

County Supply Services

The proposed rate will remain unchanged from the current fiscal year. For Fiscal Year 2012/13, Supply services will waive its daily delivery charge. The total expected savings to user departments is \$251,394. To accomplish this, Supply Services is requesting a waiver of Board Policy B-28 for the use of unrestricted net assets to offset the delivery charge waiver.

Economic Development Agency (EDA)

*Custodial* – The proposed custodial rate will decrease nine percent from the current fiscal year. Total expected savings to user departments is \$4.4 million.

*Maintenance* – The proposed rate for maintenance services will decrease from the current year's rate. Total expected savings to user departments is \$2.9 million.

*Project Management* – Except for the plan check and inspection rate, the proposed rate for most project services will decrease from the current fiscal year. User department savings will be dependent on the department's service requests.

*Real Estate* – The proposed rate will result in a two percent increase to the current year's rate. The increase to user department costs will be dependent on service requests.

Human Resources

*General* – The proposed rate results in an overall decrease in charges to user departments by 15 percent. Department resources will be allocated to essential functions such as recruitment, labor negotiations, employee relations, contract administration, and legal compliance of benefits and other employee services. Total expected savings to user departments is \$2.4 million.

*Auto/General Liability* – Human Resources is proposing a 19 percent increase in funding through rates. The department reports program expenses and claims continue to be higher than expected. HR reports the reserves have been drawn down to the Board approved confidence level.

*Medical Malpractice* – Human Resources continues to draw down the fund's reserves to levels that are more acceptable. User departments will be charged for Medical Malpractice insurance during Fiscal Year 2012/13. Total expected increase to user departments is \$5.1 million.

*Property* – The proposed rate will result in a 31 percent decrease to the current year's rate. California State Association of Counties Excess Insurance Authority (CSAC-EIA) will provide updated rates no later than March 2012. Total expected savings to user departments is \$1.7 million. An additional rate adjustment may be warranted prior to year-end. Property is requesting a waiver of Board Policy B-28 for the use of unrestricted net assets to offset operating costs in the amount of \$2 million.

*Short Term Disability* – Human Resources is proposing a 16-17.5 percent increase in funding through rates. The department reports that the claim expenses have exceeded revenue for this fund by \$400,000. The rate was borrowed from another ISF and transferred to the fund to ensure the payment of claims. The fund has three years to repay the loan. The rate increase is needed to repay the loan.

*Temporary Assignment Program (TAP)* – The proposed rate will remain unchanged from the current fiscal year. To accomplish this, the department is requesting a waiver of Board Policy B-28 for the use of unrestricted net assets to offset operating costs in the amount of \$751,000.

*Unemployment Insurance* – Human Resources is proposing a 1.8 percent increase in rates. The unemployment insurance fund has experienced significant rate escalation and volatility due to economic events and government legislation. To smooth the rate volatility that would be experienced this year, the actuary recommended a three-year gradual transition to department cost based on 80 percent claim history and 20 percent exposure.

*Workers' Compensation* – The proposed rate will result in a six percent decrease in funding for Workers' Compensation. The department reports program expenses have remained stable and the fund's reserve remains at the Board approved confidence level.

#### Online Administration Services Administrative System (OASIS)

The proposed rate will remain unchanged from the current fiscal year. The department continues to express concerns about keeping rates unchanged for an additional fiscal year. OASIS is currently utilizing working capital reserves to sustain operation. Total expected savings to departments is \$181,500. OASIS is requesting a waiver of Board Policy B-28 for the use of unrestricted net assets to offset operating costs in the amount of \$1.3 million.

#### Riverside County Information Technology (RCIT)

Overall, the department expects the proposed rates for Non-Public Safety Enterprise Communications (PSEC) Project related cost to decrease by 18 percent. Total expected savings to departments is \$4.3 million. RCIT is requesting a waiver of Board Policy B-28 for the use of unrestricted net assets to offset operating costs in the amount of \$685,000.

#### Records Management and Archives Program (RMAP)

The proposed rate will result in a seven percent decrease in storage rates for the new fiscal year. Department savings will be dependent on service requests. All other rates will remain unchanged.