

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

260



FROM: Economic Development Agency

SUBMITTAL DATE:
May 17, 2010

SUBJECT: Real Estate Division Internal Service Fund Establishment and Advance for FY 2010-2011

RECOMMENDED MOTION: That the Board of Supervisors :

1. Approve the attached Real Estate division Business Plan;
2. Authorize the Auditor-Controller to establish an interest bearing Internal Service Fund for the Economic Development Agency (EDA) Real Estate division; and
3. Approve a General Fund loan, in the amount of \$350,000, to provide 60 days working capital to be repaid by the end of FY 2010/11.

BACKGROUND: (Commences on page 2)

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 ☐

Requires 4/5 Vote ☐

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

BY: *Jennifer L. Sargent*
Jennifer L. Sargent

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Ashley, seconded by Supervisor Benoit and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

IT WAS FURTHER ORDERED, that the Executive Office recommendation that the department repay the loan, including interest at the general fund investment pool market rate, by the end of FY 10/11 is approved.

Ayes: Buster, Benoit and Ashley
Nays: None
Absent: Tavaglione and Stone
Date: June 22, 2010
xc: EDA, Auditor

Kecia Harper-Ihem
Clerk of the Board
By: *Kecia Harper-Ihem*
Deputy

Prev. Agn. Ref.:

District: All

Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.13

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.

Real Estate services provided by EDA are comprised of leasing negotiations and various amendments, purchase of land and buildings, title searches, property inspections and landlord communications, sublease, license and use permit approvals, pre-leasing services and other real estate related functions. The real estate division administers 428 total agreements and manages over 3,356,437 square feet.

At present, the Real Estate Division in the Economic Development Agency recovers all of its direct costs and indirect costs related to acquisition and leasing services through direct charges to users. These charges generated \$70.8M in revenue in FY 2008-2009. There is no net county cost for FY 10/11.

Customers will be billed actual costs for the number of labor hours spent in providing an acquisition or pre-leasing service. Customers residing in leased facilities will be charged the amount of the lease plus the management fee. 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
Real Estate Services Productive Hourly Rates

	FY 09/10 Current	FY 10/11 Proposed	FY 09/10 Current OT	FY 10/11 Proposed OT
<u>Real Estate Division</u> (Productive Hourly Rate)	\$ 125.83	\$ 125.83	\$ 146.17	\$ 146.17
<u>Overhead Factor</u> Leasing Services	3.79%	3.79%		

Note: In order to recapture EDA's administrative costs attributable to managing leasing agreements for customers, the leasing services percentage is applied against the agreements.



County of Riverside
Economic Development Agency
Real Estate 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 Real Estate Division 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 Real Estate Division.

Mission Statement

Our Mission is to provide the highest quality Real Estate Division to both Internal and External Public and Private Clients. Our goal is to assist them in achieving their acquisition and leasing projects in the most efficient and cost effective manner while improving the quality of life in the communities we serve.

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

The Real Estate division rents space at 3403 10th Street. The location is located in the downtown area of Riverside.

Customer Service Standards

Acquisition and Leasing services will be provided to internal and external customers 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.

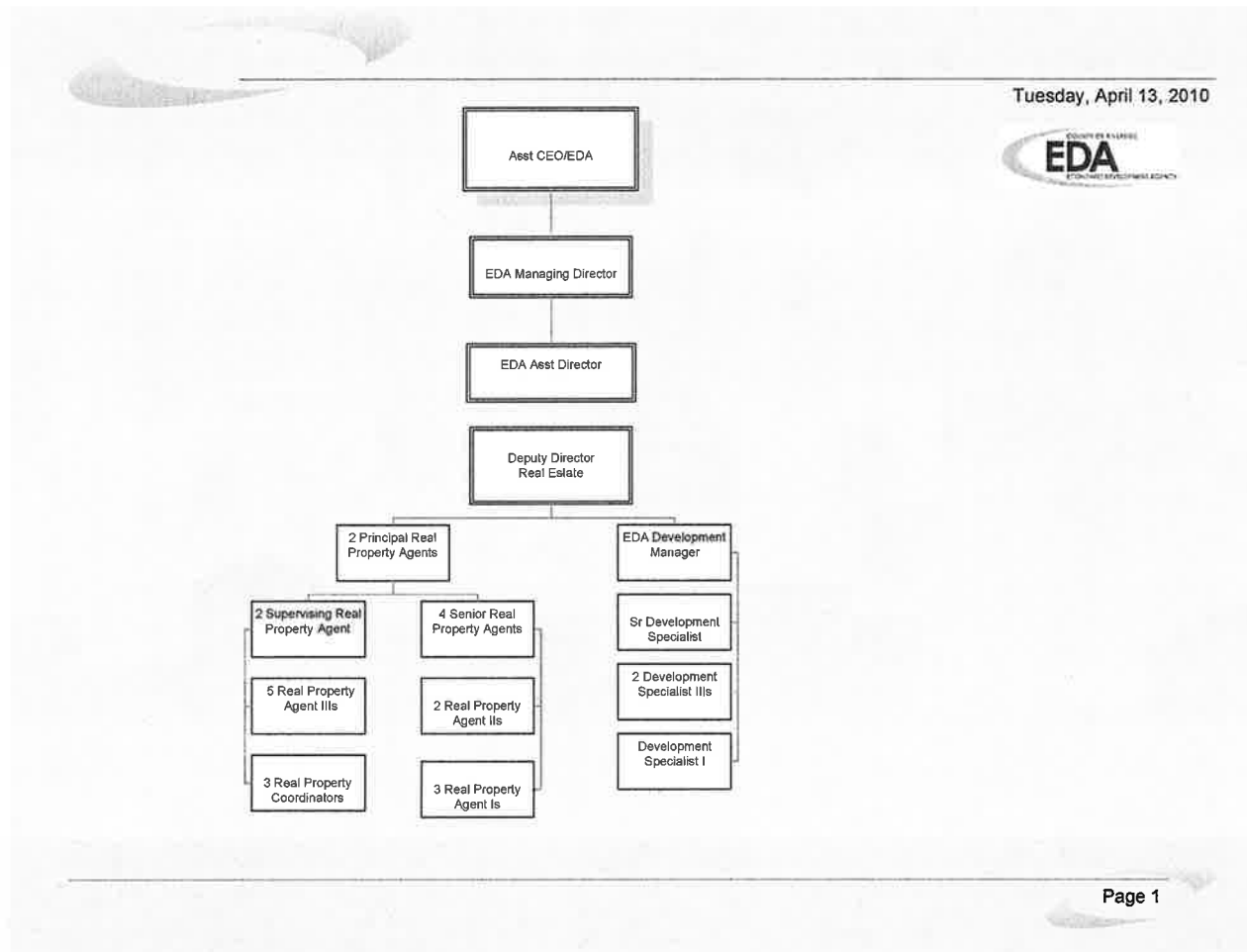
Once per year, a survey will be sent out to all County Department Heads and other customers.

Real Estate Services will be rated for:

- Responsiveness
- Quality of Services
- Customer Satisfaction

Organizational Plan

Organizational Chart



Organizational Plan Cont'd

Staffing Detail

Thirty-three (33) dedicated staff will be required for this ISF. They are:

- (1) EDA Deputy Director Real Estate to provide general oversight and program management including business development, project management, budgeting, recruitment, process assessment and improvement, identifying and addressing customer real estate needs and service levels provided while ensuring overall customer service and quality control.
- (1) EDA Development Manager to assist and support the Deputy Director in oversight of the overall day-to-day operations including all aspects of pursuing and providing quality real estate leasing and acquisition services.
- (2) Principal Real Property Agents to provide day-to-day and direct supervisory support to agents, with each Principal position being responsible for project oversight of either real estate acquisition services or leasing and property management services respectively.
- (2) Supervising Real Property Agents responsible for managing the division's real estate automated tracking systems as well as assisting Principal Agents with critical leasing and acquisition projects and project management.
- (4) Senior Real Property Agents, (5) Real Property Agent IIIs, (2) Real Property Agent IIs, (3) Real Property Agent Is, (3) Real Property Coordinators, (1) Senior Development Specialist, (2) Development Specialist IIIs, and (1) Development Specialist I to provide real estate acquisition and leasing services and conduct day-to-day real estate operations in support of county departments countywide.
- (1) Secretary II, (1) Office Assistant III, (1) Office Assistant II, (1) Admin Services Supervisor, and (2) Admin 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
Leasing	2%	4.81%	3.79%
Pre-Leasing	N/A	\$97.08 per hour	\$125.83 per hour
Acquisition	\$89.00 per hour	\$116.42 per hour	\$125.83 per hour

Note: San Diego County has a staff of approximately 30 people. The development of their rate is based on the type of service being performed. For example, the division has five sections, as follows: 1) Acquisition, 2a) Leasing – Acquisition, 2b) Leasing – Property Management, 3) Survey, 4) Valuation and Appraisals, and 5) Administrative Support. Staff classifications vary from section to section, which consists of Real Estate Agents, Engineers, Land Surveyors, Project Manager, and clerical. A rate is developed based on the type of service and staff classification.

San Bernardino County rate is lower due to having a staff of 20 and a budget of \$2.3M, whereas, EDA Real Estate has a staff of 34 with a budget of \$14.3M after lease and acquisition expense are excluded.

Financial Plan Cont'd

Budget

The proposed budget for FY 2010/2011:

Estimated Revenues:

Account	Description	FY2010/2011 Requested Amount
741040	Building Use	\$ 1,600
741520	Vending Machines	24,000
777330	Leasing Services	52,912,260
777520	Reimbursement For Services	1,727,334
777550	Right Of Way Services	12,276,470
Revenue Total		\$ 66,941,664

Appropriations:

Account	Description	FY2010/2011 Requested Amount
Salaries and Benefits		
510040	Regular Salaries	\$ 1,906,744
510200	Payoff Permanent-Seasonal	57,997
510220	Payroll Distribs Intra-Dept	272,000
510320	Temporary Salaries	5,000
510440	Administrative Leave	2,412
515200	Retiree Health Ins	1,880
517000	Workers Comp Insurance	25,814
518100-518180	Budgeted Benefits	838,014
Appropriation 1:		\$ 3,109,861

Financial Plan Cont'd

Account	Description	FY2010/2011 Requested Amount
Supplies and Services		
520115	Uniforms-Replacement Clothing	\$ 100
520230	Cellular Phone	31,000
520240	Communications Equipment	2,000
520320	Telephone Service	15,000
520330	Communication Services	8,000
520815	Cleaning and Custodial Supp	27,530
520820	Janitorial Services	627,730
520825	Kitchen And Dining Supplies	931
520930	Insurance-Liability	1,881
520940	Insurance-Other	1,908
521380	Maint-Copier Machines	9,545
521560	Maint-Other	11,650
521640	Maint-Software	105,672
521720	Maint-Fire Equipment	3,135
522300	Maint-Elevators	9,461
522310	Maint-Building and Improvement	644,000
522320	Maint-Grounds	13,775
522360	Maint-Extermination	650
522380	Maint-Buildng Structure Repair	4,792
522410	Maint-Tenant Improvement	12,500,000
523100	Memberships	3,950
523220	Licenses And Permits	18,372
523230	Miscellaneous Expense	1,401,317
523240	Non County Agency Expense	3,330
523270	Special Events	30,000
523360	Tenant Relocation	59,400
523620	Books/Publications	200
523640	Computer Equip-Non Fixed Asset	2,500
523680	Office Equip Non Fixed Assets	7,000
523700	Office Supplies	53,500
523760	Postage-Mailing	19,400
523780	Printed Forms	200
523800	Printing/Binding	200
523840	Computer Equipment-Software	4,011

Financial Plan Cont'd

		FY2010/2011
Account	Description	Requested Amount
524500	Administrative Support-Direct	1,836,225
524550	Appraisal Services	634,000
524560	Auditing And Accounting	3,767
524660	Consultants	56,000
524760	Data Processing Services	65,943
524820	Engineering Services	54,000
524830	Environmental Service	165,000
524900	GIS Services	28,000
525020	Legal Services	300,000
525140	Personnel Services	25,014
525300	OASIS Processing-Financials	150,316
525310	OASIS Processing- HRMS	8,494
525320	Security Guard Services	281,000
525340	Temporary Help Services	128,930
525400	Title Company Services	150,000
525440	Professional Services	1,350,000
525600	Security	10,500
526420	Advertising	43,800
526700	Rent-Lease Bldgs	37,626,848
526710	Rent-Lease Land	120,812
526730	Rent-Lease Warehouse/Office	278,257
526740	Rent-Lease Improvements	586,000
526940	Locks/Keys	3,200
527780	Special Program Expense	1,000
527840	Training-Education/Tuition	7,500
527940	Weed Abatement	43,427
528380	Disposal Fee	9,200
528500	Project Cost Expenses	83,000
528920	Car Pool Expense	75,600
528960	Lodging	300
528980	Meals	100
529040	Private Mileage Reimbursement	1,500
529540	Utilities	1,100,000
Appropriation 2:		\$ 60,849,873
Other Charges		
532600	Cap Lease-Purch Principal	\$ 2,245,069
537130	Interfnd Exp-Rent CORAL	536,861
Appropriation 3:		\$ 2,781,930

Financial Plan Cont'd

Account	Description	FY2010/2011 Requested Amount
Capital Assets		
540040	Land	\$ 200,000
	Appropriation 4:	\$ 200,000
	Total Expenses	\$ 66,941,664

Financial Plan Cont'd

Financial Statements

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

EDA Real Estate Pro Forma Statement of Net Assets Projected for Fiscal Years Ending June 30, 2011 through 2013

	2011	2012	2013
Assets			
Current Assets:			
Cash	\$ 2,010,111	\$ 4,277,393	\$ 4,478,176
Inventory	-	-	-
Total Current Assets	<u>2,010,111</u>	<u>4,277,393</u>	<u>4,478,176</u>
Capital Assets:			
Property, Plant, and Equipment			
Depreciable Assets	783,876,261	783,876,261	783,876,261
Less: Allowance for depreciation	(238,778,874)	(271,393,271)	(304,007,668)
Non-Depreciable Assets	<u>34,384,309</u>	<u>34,384,309</u>	<u>34,384,309</u>
Total Capital Assets	<u>579,481,696</u>	<u>546,867,299</u>	<u>514,252,902</u>
 Total Assets	 <u><u>581,491,807</u></u>	 <u><u>551,144,692</u></u>	 <u><u>518,731,078</u></u>
Liabilities			
Current Liabilities:			
Vouchers Payable	562,595	573,847	585,324
Payroll Payable	145,519	148,429	157,335
Compensated Absences	<u>36,484</u>	<u>40,680</u>	<u>45,358</u>
Total Current Liabilities	<u>744,598</u>	<u>762,956</u>	<u>788,017</u>
Long-term Liabilities:			
Equipment Financing	-	-	-
Compensated Absences	<u>74,074</u>	<u>82,593</u>	<u>92,091</u>
Total Long-term Liabilities	<u>74,074</u>	<u>82,593</u>	<u>92,091</u>
 Total Liabilities	 <u><u>818,672</u></u>	 <u><u>845,549</u></u>	 <u><u>880,108</u></u>
Net Assets			
Invested in Capital Assets, net of debt	579,481,696	546,867,299	514,252,902
Fund Balance, 7/1/2011			
Designated - Working Capital	1,265,513	3,514,437	3,690,159
Designated - Compensated Absences	(74,074)	(82,593)	(92,091)
Unrestricted	-		
 Total Net assets	 <u><u>\$ 580,673,135</u></u>	 <u><u>\$ 550,299,143</u></u>	 <u><u>\$ 517,850,970</u></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 Real Estate
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	\$ 68,207,177	\$ 73,803,184	\$ 77,493,343
Operating Expenses	66,941,664	70,288,747	73,803,184
Operating Income	1,265,513	3,514,437	3,690,159
Change in Net Assets	1,265,513	(30,373,992)	(32,448,173)
Net Assets - July 1	579,407,622	580,673,135	550,299,143
Net Assets - June 30	\$ 580,673,135	\$ 550,299,143	\$ 517,850,970

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 Real Estate
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	\$ 73,803,184	\$ 77,493,343
Cash paid to employees for services	(2,951,458)	(3,256,448)
Cash paid to suppliers	(67,323,127)	(70,526,353)
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Net cash provided by operating activities	3,528,599	3,710,542
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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	3,528,599	3,710,542
Cash and cash equivalents July 1	2,010,111	4,277,393
Cash and cash equivalents June 30	5,538,710	7,987,935
	<hr/>	<hr/>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	3,514,437	3,690,159
Adjustments:		
Depreciation	32,614,397	32,614,397
(Increase)/decrease in receivables	-	-
(Increase)/decrease in inventory	-	-
(Increase)/decrease in vouchers payable	11,252	11,477
(Increase)/decrease in payroll payable	2,910	8,906
(Increase)/decrease in compensated absences	12,715	14,176
Net cash provided by operating activities	\$ 36,142,996	\$ 36,324,939
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