

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

447



FROM: County Executive Office

SUBMITTAL DATE:
January 17, 2013

SUBJECT: Fiscal Year 2013/14 Internal Service Rates

RECOMMENDED MOTION: That the Board of Supervisors receive and file the following summary of the proposed FY 2013/14 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 2012, the Executive Office distributed a memo that directed all internal service departments to submit rates packages to the Executive Office and the Auditor-Controller no later than November 1, 2012. The Executive Office also directed departments to prepare rates based on an operating budget that did not exceed FY 12/13 levels. This required internal service departments to absorb labor cost increases while maintaining service charges to user departments at current levels. 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
(Continues on Page 2)

Karen L. Johnson, Senior Management Analyst

| | | | | |
|-----------------------------|-------------------------------|-----|-------------------------|---|
| FINANCIAL DATA | 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 |
| SOURCE OF FUNDS: 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:
Ivan M. Chand 1/25/2013

County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

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

Ayes: Jeffries, Stone, Benoit and Ashley
Nays: None
Absent: Tavaglione
Date: February 5, 2013
xc: E.O., Auditor

Kecia Harper-Ihem
Clerk of the Board
By:
Deputy

3-3

Prev. Agn. Ref.:

District: All

Agenda Number:

Dep't Recomm.: ☒ Consent ☐ Policy
Per Exec. Ofc.: ☒ Consent ☐ Policy

RE: Fiscal Year 2013/14 Internal Service Rates

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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.

The Rate Review Committee (RRC) met with internal service departments on January 16-17, 2013 to discuss all rate submissions. 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.

Based on the rate submissions submitted, total savings to user departments is estimated to be \$450,000 in net decreased charges and \$2.2 million in rate holidays.

| Department | Estimated increase/ (decrease) over FY 12/13 charges* | Proposed FY 13/14 rate holiday |
|--------------------------------|---|-----------------------------------|
| Auditor- Controller Payroll | (16,500) | - |
| County Central Mail | - | 94,783 |
| County Counsel | 368,680 | - |
| County Fleet Services | 154,000 ⁺ | 1,646,000 |
| County Printing Services | - | - |
| County Supply Services | - | 465,810 |
| EDA - Custodial | 526,000 ⁺ | - |
| EDA - Maintenance | 157,252 ⁺ | - |
| EDA - Project Management | - | - |
| EDA - Real Estate | - | - |
| Human Resources - General | 621,150 ⁺ | - |
| HR - Auto/General Liability | 817,999 | - |
| HR - Medical Malpractice | (947,000) | - |
| HR - Property | - | - |
| HR - Short term Disability | unknown increase ** | - |
| HR - Temporary Assistance Pool | - | - |
| HR - Unemployment Insurance | unknown decrease** | - |
| HR - Workers' Compensation | (3,081,996) | - |
| RCIT (Non - PSEC) | 955,599 | - |
| RMAP | - | - |
| Total | (\$444,816) | \$2,206,593 |

+ Increase due to requested increase in service levels

* Actual savings to departments will be dependent on service levels.

** Amount of change will be based on user departments FY 13/14 payroll.

The following is a synopsis of all internal service department submissions:

Auditor-Controller Payroll

The proposed rate includes a \$0.08 decrease in rate per warrant processed. The total expected savings to user departments is approximately \$16,500.

County Central Mail

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 the delivery charge waiver.

County Counsel

County Counsel is funded through a combination of general fund support and direct billing. The department has kept its rates level in spite of reductions to support from the general fund. For FY 13/14, the department must implement full cost recovery through its billable rate. The attorney service rate will increase from \$143.15 to \$155 (8.2%) and the paralegal service rate will decrease from \$74.98 to \$70 (-6.6%).

County Fleet

The proposed rate will remain unchanged from the current fiscal year. Fleet is requesting a waiver of Board Policy B-28 for the use of \$1.8 million in unrestricted net assets to allow it to waive a portion of its administrative and maintenance fees for user departments (\$1.6 million) and additional mechanics (\$154,000).

County Printing

The proposed rate for 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 FY 13/14, Supply services will waive a portion of its markup on products sold. The total expected savings to user departments is \$465,810. To accomplish this, Supply Services is requesting a waiver of Board Policy B-28 for the use of unrestricted net assets to offset the waiver.

Economic Development Agency (EDA)

Custodial – The proposed service rates for custodial services will remain unchanged. The increase in charges is related to department requested increase in level of services or additional building space.

Maintenance – The proposed service rates for maintenance services will remain unchanged. The slight increase in charges is related to department requested increases in level of services.

Project Management – Project management services no includes a separate rate for project support staff and environmental planning. The costs related to these services are now

included in the remaining project management rates. Consequently, there is an increase in the proposed services rates although charges to user departments are expected to remain unchanged, depending on the services requested.

Real Estate – The proposed standard service rate for real estate services will remain unchanged for the current fiscal year while the proposed overtime rate will increase by \$0.60 (0.4%). The proposed rate for leasing services will be reduced from 3.93% to 3.89%. Net charges to user departments is expected to remain unchanged.

Human Resources

General – The proposed rate will remain unchanged for the current fiscal year. Actual charges to individual departments will be dependent on the number of employees.

Auto/General Liability – Human Resources is proposing a 4% increase in funding through rates. The department reports claims continue to be higher than expected and there is insufficient fund surplus to offset charges to department. 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. The proposed rate will result in a 19.7% decrease in funding through rates. 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 \$1,392,390.

Property – 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 \$2,865,685. California State Association of Counties Excess Insurance Authority (CSAC-EIA) will provide updated rates no later than March 2013.

Short Term Disability – Human Resources is proposing a 2.1-3.1 % increase in funding through rates. The rate increase is the result of the expected increase in wage replacement needs caused by the recent changes to labor agreements.

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 \$241,599.

Unemployment Insurance – Human Resources is proposing a 67.1% decrease in rates. Due to the decrease in unemployment claims over the last 12 months, the actuary recommended the overall rate decrease.

Workers' Compensation – The proposed rate will result in a 15.6% decrease in funding for Workers' Compensation. 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 \$6,460,540.

Riverside County Information Technology (RCIT)

RCIT has started several new initiatives that are expected to provide significant costs savings to the county 1-3 years following consolidation and transition efforts. To minimize the net increase in charges to user departments caused by the new initiatives, the Executive Office will recommend \$5 million in support during FY 13/14 that will be repaid with RCIT

savings over the following three fiscal years. The department will also use \$2.1 million of unrestricted net assets and \$1 million in GIS trust funds to further offset operating cost increases. Overall, department charges are expected to increase by \$955,599 during FY 13/14 due to increases in service level requests.

Records Management and Archives Program (RMAP)

The proposed rate for services will remain unchanged from the current fiscal year. User department savings will be dependent on the department's service requests.