

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



ITEM
2.14
(ID # 8972)

MEETING DATE:

Tuesday, January 29, 2019

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Fiscal Year 19/20 Internal Service Rates Overview, All
Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

1. Receive and file the following summary of the proposed FY 19/20 Internal Service Rates.


ACTION: Consent


Stephanie Power, Principal Management Analyst 1/23/2019

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel, seconded by Supervisor Perez and duly carried by unanimous vote, IT WAS ORDERED that the above matter is received and filed as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez and Hewitt
Nays: None
Absent: None
Date: January 29, 2019
xc: E.O.

Kecia Harper
Clerk of the Board
By 
Deputy

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FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost
COST	\$ 0	\$ 0	\$ 0	\$ 0
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0
SOURCE OF FUNDS: N/A			Budget Adjustment: No	
			For Fiscal Year: 2019/20	

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

In September 2018, the Executive Office distributed a memo that directed all internal service departments to submit rates packages to the Executive Office and Auditor-Controller. The Executive Office has collaborated with the internal service departments to better understand the needs of the departments. During discussions, it was determined that when the internal service departments kept their rates flat, in the after math of the Great Recession, they were also subsidizing state and federal reimbursable costs by not charging them to departments. For FY 19/20, with the approval of the Assistant CEO's, the internal service departments have prepared their rate packages to include full cost recovery. It is anticipated that in most cases those increased costs can be recovered by state and federal reimbursements.

The County's Internal Audits Division of the Auditor Controller also reviews each internal service rate. They have worked with each department to meet the requirements of the State Controller's audit pertaining to the ISF costs. HR's insurance costs are less subject to control and are typically not reviewed by the Auditor Controller, as they are actuarial driven. To streamline the rate process, the Auditor Controller has initiated efforts to review the preparation of department rate calculations and is creating a standardized template for FY 20/21.

Several departments are requesting a waiver of Board Policy B-28 so that unrestricted net assets (one-time funding) may be used for expenses as outlined by the individual expense plans. The Executive Office recommends approval of these exceptions as the action reduces the costs that are passed on to the user departments through rates.

On today's agenda, the proposed rates for internal service departments are presented under separate cover for approval.

The following is a summary of the Executive Office recommendations:

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Department	Current Rate/Budget	Proposed Rate/Budget	% Increased
ACO-Payroll	\$ 4.39	\$ 4.49	2%
County Counsel - Attorney	\$ 180.00	\$ 187.00	4%
County Counsel - Paralegal	\$ 117.00	\$ 127.00	9%
EDA – Custodial	\$ 45.63	\$ 50.16	10%
EDA – Maintenance Services	\$ 79.02	\$ 84.61	7%
EDA - Maintenance (Grounds Workers)	\$ -	\$ 59.54	N/A
EDA-Plan Check & Inspection	\$ 156.15	\$ 166.89	7%
EDA-Project Management Office	\$ 147.33	\$ 154.80	5%
EDA-Real Estate	\$ 157.69	\$ 160.63	2%
Human Resources – General	\$ 21,243,877	\$ 24,687,709	16%
HR – Auto/General Liability	\$ 69,017,996	\$ 69,598,389	1%
HR – Property	\$ 7,350,335	\$ 8,722,408	19%
HR – Workers' Compensation	\$ 44,920,428	\$ 47,100,000	5%
HR – Medical Malpractice	\$ 10,369,000	\$ 8,335,000	-20%
HR – TAP	\$ 4,176,010	\$ 4,415,224	6%
Purchasing-Central Mail	\$ 2,979,016	\$ 3,053,531	3%
Purchasing-Fleet Services	\$ 17,291,125	\$ 17,735,686	3%
Purchasing-Supply Services	\$ 2,827,144	\$ 3,118,402	10%
Purchasing-eProcurement (RivcoPRO)	\$ 351,694	\$ 1,874,293	433%
RCIT/ISO/GIS (Non – PSEC)	\$ 90,912,359	\$ 92,671,551	2%
RCIT -PSEC	\$ 14,952,176	\$ 14,217,188	-5%
RMAP	\$ 266,250	\$ 272,500	2%

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

Auditor-Controller Payroll

The payroll processing rate will increase for FY 19/20 from \$4.39 to 4.49 per warrant processed.

County Counsel

Funding for County Counsel is a combination of general fund support and direct billing. A significant portion of the direct billing relates to legal representation in child dependency cases, which the State of California reimburses. For FY 19/20, rates will increase for attorney services to \$187 per hour from \$180 per hour, and the paralegal services rate will increase to \$127 per hour from \$117 per hour.

Economic Development Agency (EDA)

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Custodial – The proposed rate will increase from the current fiscal year hourly rate of \$45.63 per hour to \$50.16 per hour in FY 19/20.

Maintenance – For FY 18/19 the average rate was \$79.02 per hour for all services provided by the department. In FY 19/20, the rate will be billed by service type. The proposed rate for maintenance services will increase to \$84.61 from \$79.02 per hour. The rate for grounds workers will be \$59.54 per hour. The overtime rate will increase to \$104.68 from \$99.63 per hour for maintenance services, and, \$73.21 per hour for grounds workers.

Project Management – The proposed rates for Project Management, and Plan Check and Inspection will increase to \$154.80 from \$147.33 per hour and \$166.89 to \$156.15 per hour respectively. Overtime will increase by \$10.83 and \$5.51 per hour respectively from the current fiscal year. This will allow for full recovery of costs associated with providing the services.

Real Estate – The proposed rate will increase for FY 19/20 to \$160.63 from \$157.69 per hour. An increase will occur in overtime rates to \$186.57 from \$185.20 per hour. Leasing services are billed based on the management fee and is applied to the lease amount once an agreement has been executed. The proposed rates will ensure full cost recovery.

Human Resources

General – The proposed rate will increase from the current fiscal year's rate and reflect a budget increase of \$3.4 million. The increase is mostly due to new service agreements with departments.

Auto/General Liability – The FY 19/20 General Liability/Auto Liability Insurance rates will increase slightly from the current fiscal year's rate and reflect a budget increase of \$580,000. The overall increase is attributable to increased claims cost, increased cost of excess insurance, and a lack of fund surplus.

The County's actuary, Bickmore Risk Services, and Human Resources both recommend a confidence level of 70%. Yet, due to budget constraints at this time, the plan will be to stay at a confidence level of 60% for FY 19/20. This means that at current funding levels, there is less than a 60% chance that the amount will be sufficient to pay incurred claims. Continuing to maintain this fund at confidence level below 70% increases the risk that reserves will be insufficient to make future claim payments. Consequently, the general fund may be required to backfill any reserve deficiencies caused by claims that are higher than what the actuary estimates.

Medical Malpractice – The proposed rate will decrease by \$2 million from the current fiscal year. This is a result of the County's actuary calculating a required program funding of \$8.335 million at a 70% confidence level down from \$10.4 million the prior

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year. The actuary recommended to not fund below the 70% level. Human Resources is requesting a waiver of Board Policy B-28 for the use of \$1,075,912 in unrestricted net assets to offset operations cost and reduce rates.

Property – This FY 19/20 charge to departments is \$8.722 million resulting in an increase to departments of \$1.3 million.

Occupational Health – The proposed rate was recommended to increase in FY 18/19 after a flat rate for ten years. Since there is no history, FY 19/20 rates will be held flat while the new rates are evaluated. The increase shown is due to variability in revenue from year to year for staffing changes and service levels.

Short-Term Disability – The proposed rate will be lowered in FY 19/20. The rates include Aon Hewitt's recommendation and a 5% reserve accumulation. Human Resources is requesting a waiver of Board Policy B-28 for the use of \$1,658,231 in unrestricted net assets to offset operations cost and reduce rates.

Temporary Assignment Program (TAP) – FY 19/20 TAP rates have been developed in accordance with the State Auditor Controller's recommendations. Five cost categories have been developed for recruiting. Medical assistance per diem, non-medical temporary, Registrar of Voters election assistance, National Date Festival ticket takers and custodial support, and, student interns. Each category includes recruitment and onboarding costs, while other administrative and operating costs are allocated evenly across all categories. Since one rate does not adequately represent the service performed in the case of a cancellation, four placement categories have been created. An active filled (employee placed in assignment) and three categories for cancelled job orders at different stages (40%, 75%, 100%). Each rate is per position recruited.

A Human Resources services rate per TAP employee will be charged at \$25 per paycheck, billed monthly. This charge was removed from the recruiting rate.

Unemployment Insurance – The proposed rate will increase from 0.202% to 0.254%.

Workers' Compensation – The FY 19/20 Workers' Compensation Insurance rates will increase from the current fiscal year's rate and reflect a budget increase of \$2.1 million. This is a result of the County's actuary calculating a required program funding of \$47.1 million at a 60% confidence level.

The program continues to experience lower loss rates than most comparable counties. Benefits are being achieved from Fraud Identification, Utilization Review, the Medical Provider Network (MPN), and Return-to-Work programs as well as the iVos claims management system.

Purchasing and Fleet Services

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Central Mail - There is an increase in rates for FY 19/20, reflecting a budget increase of \$55,560.

Fleet Services - The proposed rates for FY 19/20 will increase, reflecting a budget increase of \$347,583. Fleet is requesting a waiver of Board Policy B-28 for the use of \$4,812,590 in unrestricted net assets for purchase of capital assets.

Supply Services - The proposed rates for FY 19/20 will decrease, reflecting a budget decrease of \$702,274. The elimination of revenue from departments direct ordering of office supplies, coupled with increase in salaries, pension and other operational costs have impacted Supply Services.

Jaggaer eProcurement - The cost allocation for the eProcurement system will continue to be based on PO count.

Riverside County Information Technology (RCIT)

General/Information Security/GIS - FY 19/20 RCIT rates will increase by 1.94%, or \$1,759,192. The overall budget for RCIT will increase from \$90,912,359 to \$92,671,551.

PSEC - FY 19/20 rates will decrease by 5%.

Records Management and Archives Program (RMAP)

RMAP professional services is now folded into the County Clerk-Recorder operations, with associated costs recovered through a 'General Service Department' rate. Preliminary projections indicate that these operational changes will result in a countywide net savings of approximately \$3 million over the next five years.

Historical Information

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. Rate packages submitted to the Auditor-Controller and Executive Office received a more comprehensive review and required documentation that is more detailed. Internal service departments were also mandated to provide a multi-year operations outlook, develop long-term capital asset replacement and cash management plans, and, produce annual productivity reports.

Impact on Citizens and Businesses

No direct impact to citizens and businesses, however as costs to departments increase, the cost of delivery will increase as well.

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Don R. Kent, Assistant CEO-County Finance Officer 1/24/2019