

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



ITEM: 3.2  
(ID # 14482)

**MEETING DATE:**  
Tuesday, February 02, 2021

**FROM :** EXECUTIVE OFFICE:

**SUBJECT:** EXECUTIVE OFFICE: Fiscal Year 21/22 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 21/22 Internal Service Rates.

**ACTION:**Policy




Don R. Kent, Assistant CEO-County Finance Officer 1/28/2021

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**MINUTES OF THE BOARD OF SUPERVISORS**

On motion of Supervisor Jeffries, seconded by Supervisor Hewitt and duly carried by unanimous vote, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Spiegel, Washington, Perez, and Hewitt  
Nays: None  
Absent: None  
Date: February 2, 2021  
xc: E.O.

Kecia R. 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: 2021/22	

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

**BACKGROUND:**

**Summary**

Each fiscal year the Executive Office directs all Internal Services and General Support departments to submit rates packages to the Executive Office and Auditor-Controller, while also collaborating to better understand their business needs. In FY 19/20, it was determined that when rates were kept flat the County subsidizes state and federal reimbursable costs by not charging full cost recovery to user departments. Over sixty percent of total general fund revenue comes from state and federal allocations.

For FY 20/21, with the input of the Assistant CEO's, the Internal Services departments originally prepared their rate packages to include full cost recovery. As a result of budget concerns due to the COVID-19 pandemic, Internal Services departments reduced their budgets further by \$14 million overall. Entering FY 21/22, departments are still paying the reduced internal service costs associated with this large reduction.

For FY 21/22, the Internal Services departments were directed to keep the county department charges flat by producing a roll-over budget (not including pass-thru costs) while absorbing all labor cost increases. The Executive Office continues to work with the Internal Services departments with directives for rethinking costs and operational models. This has resulted in Internal Services costs being reduced overall by \$165,000 (excluding County Counsel) in FY21/22. It has underscored the value of continuous improvement within the county and there is more to come. Specifically, Fleet Services and Facilities Management are a focus of review. It is anticipated that both department rate packages being approved by the Board on February 2 will be revised once some reorganization is complete.

The Internal Audits Division of the Auditor-Controller also reviews the calculation methodology for each Internal Services department's rate to ensure the rates meet the requirements of the State Controller's guidelines. The Auditor-Controller has concerns with the allocation methodology proposed to allocate FM Administration (7200100000) overhead costs to the four FM ISF/GSS departments including Custodial, Maintenance, Real Estate, and Project Management Office. Due to the Executive Office's direction to keep the charges flat this will not be changed at this time. In order for the approval of the rates to move forward, the ACO is

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agreeable to working with the department to revise the methodology to have a more equitable distribution FM Administration Cost.

Several departments are requesting a waiver of Board Policy B-28 so that unrestricted net assets (one-time funding) may be used for capital expenses as outlined by the individual capital asset reserve plan of each department. The Executive Office recommends approval of the waiver to Board Policy B-28 for the purchase of capital assets.

On today's agenda, the proposed rates for Internal Services departments are presented under separate cover for approval. Also included on the agenda for approval are the FY 21/22 Insurance Rates. These rates are actuarial driven pass-through costs.

The following is a summary of the Executive Office recommendations:

Department	Current Rate	Proposed Rate	Current Budget	Proposed Budget	% Budget Increased
ACO-Payroll	\$ 4.98	\$ 4.89	\$ 2,692,092	\$ 2,795,834	4%
ACR - RMAP	Various	Various	\$ 280,000	\$ 285,000	2%
County Counsel - Attorney	\$ 187.00	\$ 187.00	\$ 15,729,669	\$ 17,366,504	10%
County Counsel - Paralegal	\$ 120.00	\$ 107.35	\$ 842,240.00	\$ 751,441.00	-11%
FM – Custodial	\$ 47.72	\$ 47.72	\$ 12,358,458	\$ 11,858,310	-4%
FM – Maintenance Services - Maint. Hrly Rate	\$ 81.26	\$ 80.78	\$ 22,183,935	\$ 21,629,835	-2%
FM - Maintenance Services - Grounds Workers Hrly Rate	\$ 58.17	\$ 56.87	\$ 2,544,824	\$ 2,388,338	-6%
FM - Project Management Services - Plan Check & Inspection	\$ 173.10	\$ 144.95	\$ 1,211,680	\$ 1,141,465	-6%
FM - Project Management Services - Project Management Rate	\$ 156.50	\$ 150.90	\$ 4,956,993	\$ 5,440,078	10%
FM - Real Estate - Acquisition	\$ 168.58	\$ 153.06	\$ 2,463,375	\$ 1,660,685	-33%
Purchasing - Central Mail - Mail Stop Delivery Location Rates	\$ 9.81	\$ 9.81	\$ 820,756	\$ 803,347	-2%
Purchasing - Fleet Services	\$ 115.10	\$ 115.09	\$ 20,421,340	\$ 20,557,134	1%
Purchasing-Supply Services	\$ 6.81	\$ 6.81	\$ 180,174	\$ 180,215	0%
Purchasing-eProcurement (RivcoPRO)	N/A	N/A	\$ 1,853,200	\$ 1,881,324	2%
RCIT - Enterprise	Various	Various	\$ 74,376,742	\$ 74,376,742	0%
RCIT - PSEC	Various	Various	\$ 13,016,050	\$ 13,016,050	0%
HR – General	N/A	N/A	\$ 27,264,452	\$ 27,174,881	0%
<b>Insurance Programs</b>					
HR – Auto/General Liability	N/A	N/A	\$ 67,176,335	\$ 76,356,135	14%
HR – Property	N/A	N/A	\$ 10,827,891	\$ 10,827,891	0%
HR – Workers' Compensation	N/A	N/A	\$ 48,363,000	\$ 48,363,000	0%
HR – Medical Malpractice	N/A	N/A	\$ 9,723,000	\$ 9,723,000	0%
HR – Occupational Health	N/A	N/A	\$ 2,692,214	\$ 2,692,214	0%

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The following is a synopsis of all Internal Services department submissions:

**Auditor-Controller Payroll**

The payroll processing rate will decrease for FY 21/22 from \$4.98 to \$4.89 per warrant processed. The rate includes two additional staff members to assist with the new payroll system and labor costs.

**Assessor-County Clerk-Recorder Records Management and Archive Program (RMAP)**

The department is recognizing a slight increase of \$5,000 in total budget.

The RMAP rate structure is based on a five-tiered structure (1 - 50, 51 - 150, 151 - 250, 251 - 1000, 1001 and greater). This methodology allows for an equitable allocation of costs based on approximate training, staff support, destruction monitoring and records retention schedule maintenance. The total budget increased due to an increase in countywide positions and increased number of retention schedules.

**County Counsel**

The department has a projected increase of \$1,546,036.

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 21/22, rates will remain the same for attorney services at \$187 per hour, and the paralegal services rate will decrease to \$107.35 per hour from \$120 per hour. The increase in overall budget is related to billable hours increases per user department.

**Facilities Management**

Overall, FM has reduced their budget by \$3 million across its divisions.

*Custodial* – The proposed rate will remain flat at an hourly rate of \$47.72 per hour in FY 21/22.

*Maintenance* –In FY 19/20, the rate for services was changed to be billed by service type. The proposed rate for maintenance services will decrease from \$81.26 to \$80.78 per hour for FY 21/22. The rate for grounds workers will decrease to \$56.87 from \$58.17 per hour.

*Project Management* – The proposed rates for Project Management, and Plan Check and Inspection will decrease to \$150.90 from \$156.50 per hour, and to \$144.95 from \$173.10 per hour respectively. The budget has increased to reflect a shift in FM – Administrative costs for a more equitable distribution across the department. Note, the ACO has approved the rate but has concerns with this methodology and the Executive Office, ACO and department will be revisiting in the next couple of months to ensure cost

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are being allocated correctly. Savings have been realized in the other FM divisions to offset the shift in cost. Overall, FM's budget was reduced by approximately \$3 million.

*Real Estate* – The proposed rate will decrease for FY 21/22 to \$153.06 from \$168.58 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.

**Purchasing and Fleet Services**

*Central Mail* – The rates will remain flat for FY 21/22, as well as an overall budget increase of \$211,976. This includes an increase of postal charges of \$37,592, which is a straight pass-thru cost. A decrease of \$17,409 in mail stop delivery charges also offsets the increase. Central Mail is requesting approval for the use of \$115,500 for the purchase of capital assets over the next five years.

*Fleet Services* - The FY 21/22 estimated charges to customers are based on a snapshot of the department inventory of vehicles as of June 2020 and actual prior year services and repairs. The charges do not reflect the replacement of older vehicles that have occurred after June 2020 and do not reflect the purchase and replacement of vehicles to be acquired this current FY 20/21. Vehicle count overall went up by 30 vehicles. Estimated motor pool charges increased by \$638,731 due to a new methodology of rate structure for daily motor pool rentals. The daily rate increased from prior year, and the department incorporated a monthly rate for motor pool rentals. Only actual amount of usage is billed. This is offset by the reduction of the fuel charge by \$507,588. The overall department charges went up \$135,799. Fleet is requesting approval for the use of \$5,706,824 for the purchase of capital assets over the next five years.

*Supply Services* - The proposed rates for FY 21/22 will remain flat, as well as a flat budget of \$180,215.

*eProcurement/RivcoPRO* – The cost allocation for the eProcurement system will continue to be based on PO count. The cost for FY 21/22 is \$1,881,324.

**Riverside County Information Technology (RCIT)**

No department impact as the budget remained flat.

*General/Information Security/GIS* – FY 21/22 RCIT is submitting a preliminary budget of \$74,376,742, remaining flat. The department reduced costs to user departments through a revised rate reduction in response to the pandemic and subsequent budget deficits resulting in a cost reduction of \$3.9 million from the previously approved FY 20/21 rates. This resulted in the elimination of some services to departments and the delay in replacing end of life equipment. The department is requesting approval for the use of \$4,900,000 for the purchase of capital assets over the next five years.

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*PSEC* – FY 21/22 rates will remain flat, except for the holiday use rate which will increase by 3%. PSEC is submitting a preliminary budget of \$13,016,050. The department is requesting approval for the use of \$2,500,000 for the purchase of capital assets over the next five years.

**Human Resources**

*General* – The proposed FY 21/22 HR General Support Services (GSS) rate has decreased slightly from the current FY 20/21 GSS rate has decreased slightly by \$89,571, from a total cost of \$27,264,452 to \$27,174,881. The GSS cost pool is allocated to departments based on three measures of service: number of filled permanent positions as of October 2020, number of recruiting services performed in FY 19/20, and number of temporary full-time equivalent (FTE) staff in FY 19/20. Although the overall GSS cost pool has decreased slightly, departments will experience changes in their specific allocation based on year-to-year changes in their staffing and HR service levels.

**Insurance Programs**

*Property Insurance* - The County's property insurance program is fully insured through PRISM Excess Insurance Authority with various levels of deductibles based on coverage. The recommended FY 21/22 charge to departments is \$10.8 million, which represents no change from the FY 20/21 charges by department.

*Workers Compensation Insurance* - Workers' Compensation Insurance is a legally mandated program that is administered by County staff and is self-funded for up to the first \$2 million of each claim. Excess insurance is provided through PRISM Excess Insurance Authority for amounts above the self-insured level.

*Medical Malpractice* - Insurance coverage for the medical providers at the County of Riverside is provided by a program that combines self-insurance and excess insurance. This program and associated costs are allocated to County departments that employ medical providers including Riverside University Health System Medical Center (RUHS), RUHS Behavioral Health, RUHS Public Health, Emergency Management Department, and the Human Resources Department (Exclusive Care and Occupational Health). For FY 21/22, Bickmore calculated the required program funding of \$9.723 million at a 60% confidence level.

*General Liability/Auto Liability Insurance* - The General Liability/Auto Liability insurance program provides coverage for bodily injury, employment practices liability, personal injury, property damage, and public official errors and omissions liability for all operations

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of the County of Riverside. Costs are allocated to County departments based on 80% of each department's 7-year history of actual losses and 20% on reported exposure (staffing, occupied square footage, mileage driven, etc.). For FY 21/22, Bickmore calculated the required program funding to be \$76.3 million at the 60% confidence level.

*Unemployment Insurance* - Unemployment insurance (UI) is a self-funded benefit program required by the State of California. The total costs for FY 21/22 costs are estimated at \$3.251 million

*Short-Term Disability* - Short-Term Disability (STD) Insurance is a self-funded benefit plan covering most employee groups that accrue sick leave. As a result of recent negotiations with its union groups, the County will be transitioning away from this self-funded benefit plan to the State of California SDI plan during FY 21/22. AON actuaries have recommended increasing the STD rates for both classes in FY 21/22 due to ongoing uncertainties surrounding the COVID-19 pandemic and the County's upcoming transition to CA SDI. The total FY 21/22 collections are estimated at \$7.41 million: \$4.03 million for LIUNA, \$3.20 million for SEIU, and \$0.18 million for RSA.

**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 Executive Office and Auditor-Controller received a more comprehensive review and required documentation that is more detailed. Internal Services 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.

  
Lisa D Brandl 1/28/2021