

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



**ITEM: 3.4
(ID # 16776)**

MEETING DATE:

Tuesday, January 25, 2022

FROM : EXECUTIVE OFFICE:

SUBJECT: EXECUTIVE OFFICE: Fiscal Year 22/23 Internal Service and General Support Service Rate Overview, All Districts. [\$0]

RECOMMENDED MOTION: That the Board of Supervisors:

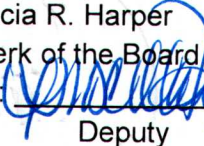
1. Receive and file the following summary of the proposed FY 22/23 Internal Service and General Support Service Rates.

ACTION:Policy

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Spiegel seconded by Supervisor Washington 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 25, 2022
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:	2022/2023

C.E.O. RECOMMENDATION: Approve

BACKGROUND:

Summary

Each fiscal year the Executive Office directs all Internal Service Fund (ISF) and General Support Service (GSS) departments to submit rates packages to the Executive Office and Auditor-Controller, while also collaborating to better understand their business needs. The Executive Office established a team to analyze and review department rates in greater detail than in previous years with an eye toward efficiencies and ways to keep costs down without compromises the services required by the County.

In FY 22/23, the ISF and GSS 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 (estimated between 2%-6%) and material, equipment, and other overhead costs related to the pandemic response and recent inflation. For instance, increases to the cost fuel, vehicles, cleaning supplies, computers, internet services, tools, contracted services, etc. Departments adhered to this directive, with exceptions noted in individual summaries below.

The Executive Office and the departments have considered several potential modifications to current practices including separating pass-thru funds that may be artificially inflating budgets; streamlining billing and job order processes; leveraging technology, reorganizing departments and service offerings; and expanding the use of outside vendors for services.

The Internal Audits Division of the Auditor-Controller also reviews the calculation methodology for each ISF and GSS department's rate to ensure the rates meet the requirements of the State Controller's guidelines. The Executive Office and ACO continue to work together with the ISF and GSS departments to improve upon the existing rate process to ensure a fair and equitable distribution to all departments.

On today's agenda, the proposed rates for ISF and GSS departments are presented under separate cover for approval. The following is a summary of the Executive Office recommendations:

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ISF/GSS Department Name	FY 21/22 Rate	FY 22/23 Rate	FY 21/22 Budget	FY 22/23 Budget	%Budget Change
ACO - Payroll Warrant	\$ 4.89	\$ 4.78	\$ 2,795,829	\$ 2,528,150	-9.57%
ACR-RMAP	Tiered Structure 2,500; 5,000; 10,000; 15,000; 20,000	Tiered Structure 3,309; 6,619; 13,238; 19,857; 26,476	\$ 285,000	\$ 377,282	32.38%
County Counsel - Attorney	\$ 187.00	\$ 189.52	\$ 17,296,410	\$ 19,568,210	13.13%
County Counsel - Paralegal	\$ 107.35	\$ 111.52	\$ 801,104	\$ 975,805	21.81%
HR - General Admin	\$ 1,085.00	\$ 998.00	\$ 27,174,880	\$ 27,174,883	0.00%
FM - Custodial Services	\$ 47.72				
FM-Maintenance Services - Maintenance Hourly Rate	\$ 80.78	Allocation	\$ 45,182,831	\$ 48,717,777	*7.82%
FM-Maintenance Services - Ground work Hourly Rate	\$ 56.87				
FM-Project Management Services - Plan Check Rate	\$ 144.95	\$ 144.95	\$ 1,141,465	\$ 1,141,465	0.00%
FM-Project Management Services - Project Mgmt. Rate	\$ 150.90	\$ 150.90	\$ 5,440,078	\$ 5,440,078	0.00%
FM-Real Estate Services - Acquisitions	\$ 153.06	\$ 153.06	\$ 1,660,685	\$ 1,660,708	0.00%
FM-Real Estate Services Leasing Activity	4.86%	4.86%	\$ 77,376,931	\$ 79,394,372	2.61%
Purchasing-Central Mail Services - Mail Stop	\$ 9.81	\$ 10.30	\$ 803,347	\$ 681,561	-15.16%
Purchasing-Central Mail Services - Handling Charges	\$ 1.58	\$ 1.67	\$ 510,027	\$ 473,279	-7.21%
Purchasing-Fleet Services	\$ 115.09	\$ 101.00	\$ 20,557,134	\$ 14,201,088	-30.92%
Purchasing - Surplus Services	\$ 6.81	\$ 5.55	\$ 180,215	\$ 180,213	0.00%
RCIT - Enterprise	N/A	N/A	\$ 74,376,742	\$ 74,376,742	0.00%
RCIT - Rivco Pro	N/A	N/A	\$ 1,881,325	\$ 1,881,325	0.00%
Sheriff - PSEC	N/A	N/A	\$ 13,016,050	\$ 13,016,050	0.00%

*The FY 22/23 Facilities Management MSD and CSD budget increase of 7.82% includes approximately \$2.1M in pass-thru costs. Without pass-thru costs, the increase is only 3.12%.

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

Auditor-Controller Payroll

The department has a projected a decrease of \$267,679. The payroll processing rate will decrease for FY 22/23 from \$4.89 to \$4.78 per warrant processed. The reduction is a result of a modified approach to charging TAP administrative costs to better align these expenditures with the Department users of service. The Executive Office is in discussions with the ACO in establishing a separate fund/department id to capture these costs and other pass-thru costs in the outgoing years.

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

The department is recognizing an increase of \$92,282 in total budget. The increase is to support the addition of one Senior Administrative Services Analyst. Due to staff capacity the department has fallen short with their program objectives and responsibilities of educating and training on the implementation of their standards per Board Policy A-43. In the EO's analysis, the department's current self-training model isn't sufficient to support county-wide needs. This model has not reduced the need for hands on education and training as initially anticipated. Since 2018 the department has reduced staffing from 14 FTEs to 2 FTEs and 1 Intern when RMAP ceased operating county owned warehouses and implemented contracting with privatized warehouses to store county records. In addition, there has been an increase in other workload in document

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storage (167,443 to 219,614) and departmental storage usage (31 to 34) requiring more transportation, retention, and destruction assistance. Based on the EO's assessment, the department has reduced staffing too low to maintain and absorb its critical functions. In assessing options, outsourcing the required training was discussed with the department. However, this option was deemed unfeasible as it would be difficult for an outside vendor to support the multitude of health, safety, and penal retention codes the county must comply with which are not static.

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 impact of the addition of one Senior Administrative Services Analyst to county departments is an increase of \$809 for small departments and \$6,476 for large departments within the tier structure.

County Counsel

The department has a projected increase of \$2,446,501. The department has kept rates flat for the previous three fiscal years and is moving towards a methodology structure that allows for full direct cost recovery and a reduction in department subsidy. The proposal does not include department absorption of labor or material/supply/overhead cost increases as stated in EO rate memo directive.

County Counsel provides services to both billable and non-billable clients. Billable clients are direct billed, while non-billable departments are included in the County's Countywide Cost Allocation Plan (COWCAP) and spread to all departments. County Counsel is provided NCC to cover services provided to non-billable departments.

Attorney - The hourly rate will increase for FY 22/23 from \$187.00 to \$189.52. In comparison to neighboring counties, rates for like services include: San Bernardino \$230/hour; Orange \$205.62/hour; San Diego \$247/hour; and Los Angeles \$241.38/hour.

Paralegal - The hourly rate will increase for FY 22/23 from \$107.35 to \$111.52. An additional request to further increase the rate (or the department's portion of the general fund) is pending the outcome of an HR market study which will require payroll increases for the paralegal classification. The department may come back to the Board to increase their rates in effort to achieve full cost recovery.

Human Resources

No department impact as the budget remained flat. HR underwent significant budget restructuring, layoffs, and program changes in the second half of FY19-20 and in FY20-21 in order to achieve ongoing rate reduction.

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General – The rate budget for HR General Admin will remain flat at \$27,174,883 with a direct rate decrease from \$1,085 to \$998. Department's will experience changes in their specific allocation based on the department's increase or decrease in PCN counts, recruitment services, and TAP FTE's.

Facilities Management

Overall, FM has a projected increase of \$5,552,410 across its divisions. Increases are related to various contract increases for client departments, maintenance of vacant facilities, and realignment of funds.

Custodial and Maintenance - The department is projecting an increase of \$3,534,946 in their rate budget (of which \$2,126,358 is considered pass-thru). They have consolidated the MSD and CSD budgets into one division and moved to a 2-year allocation methodology. These changes will allow the department to charge customers a flat monthly amount rather than a productive hourly rate and simplify the billing process, thus providing departments with predictable costs. The increase in budget is attributed to \$2,126,358 in current board approved contracts for janitorial services at RUHS-BH and RUHS-MC facilities and \$677,315 to realign funds not previously budget under EO Courts. Additionally, the EO is proposing a \$774,264 allocation to all county departments for the cost of maintaining county vacant facilities which is currently absorbed by FM without corresponding revenue.

The Executive Office is working with the department to identify and isolate pass-thru funds that are expected to reduce the overall FM budget for future fiscal years. Additionally, the EO is working with the department to streamline services, leverage technology, and reduce budgeted positions. MSD and CSD have already realized a decrease in positions of 125, from FY19/20 of 380 (179 Custodial and 201 Maintenance) to FY 21/22 of 265 (119 Custodial and 146 Maintenance). FM is currently working on a bid to outsource groundwork and is utilizing TAP to fill staffing gaps. In the department's attempts to outsource/recruit various barriers have been identified which include vaccination requirements for health facilities, additional background clearance required for RSO and DA facilities, higher wages offered at nearby school districts and private businesses, and stand-by hour requirements. Additionally, it has been found that outside vendors lack capacity to fully absorb services.

As a reminder, RSO took over their own landscaping and custodial services in FY 20/21 and as a result, FM reduced budget and staffing by 19 FTEs in the prior rate year. Additionally, RSO plans to take over their own maintenance services. Once this change is made, FM will be revisiting their rate budget.

Project Management Office Plan Check - FM PMO's plan-check will keep its rate budget flat at \$1,141,465 and direct rate at \$144.95. The department is currently re-organizing to simplify its processes and reduce costs in the outyears to their internal customers by

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leveraging added technology-based systems, decreasing overhead, and increasing productive hours.

Project Management Office Project Management - FM PMO's Project Management rate budget remains flat at \$5,440,078 and direct rate at \$150.90. The department recognized a reduction of 3 projects in PMO due to the shifting of projects being managed now by Sheriff's. The existing workload and the addition of projects more than backfills the shift left by the Sheriff's department.

In comparison to other counties the direct rate is \$11.60 lower. For example, San Bernardino County has an average direct rate of \$162.50 for the current fiscal year. This is approximately a \$7 increase from their prior fiscal year.

Real Estate Services Acquisitions - The rate budget will remain flat at \$1,660,708 with a direct rate of \$153.06.

Real Estate Services Leasing Activity – The department will recognize an increase in its rate budget of \$2,017,441. However, the percentage charged remains flat at 4.86%. Leasing services are billed based on the management fee and is applied to the lease amount once an agreement has been executed. The increase in budget is related to lease expenses related to increase leases for Public Private Partnerships (P3's) which include three new libraries (Desert Hot Springs \$421,650, Murrieta French Valley \$700,344 and Menifee \$561,399) and RUHS Clinic (Palm Springs Community Health Clinic). These leases have all been Board approved.

Although the rate remains flat, the EO analyzed our percentage against other like counties. We have found that we charge a higher rate for the services we provide. For example, San Bernardino County charges a 3% rate. However, they have more technology base tracking that automates a lot of the manual work the department performs. Facilities Management is looking into a management system to assist in the administrative tracking currently performed. We anticipate decreasing overhead costs with this added technology-based system.

Purchasing and Fleet Services

Overall, Purchasing and Fleet Services has a projected decrease of \$6,520,582 across its divisions.

Central Mail (Mail Stop & Handling) - The rate budget for Mail Stop services is reflecting a decrease of \$121,786 with an increase in the direct rate from \$9.81 to \$10.30. Handling charges is reflecting a decrease of \$36,748 with an increase in the direct rate from \$1.58 to \$1.67.

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The budget reductions are due to a restructure that realigned administrative support, the reclassification of staff, and a countywide reduction in mail stops. The department recognizes a decrease in overall services provided, however the cost of doing business continues to rise and is reflected in the rate increases.

Fleet Services - Fleet Services will recognize a reduction in their rate budget of \$6,356,046 and in their labor rate from \$115.09 to \$101.00. The department underwent a reorganization that resulted in staff reductions of 15+ positions and the closure of 7 fleet garages. Additionally, the Sheriff's department has pulled services which encompassed about 40% of Fleet's vehicles and 60% of Fleet's parts and labor. The split and garage closures account for significant reductions in staffing costs and overall admin costs for the department.

Supply Services - The Surplus Services rate budget remains flat at \$180,213 with a direct rate decrease of \$1.26. The reduced rate is a result of a reorganization that reduced staffing and the closure of the Cabazon warehouse. There was also a decentralization of supply services and the rate now only reflects Surplus services.

Riverside County Information Technology (RCIT)

No department impact as the budget remained flat.

General/Information Security/GIS – The Enterprise rate budget remains flat at \$74,376,742. Departmental fluctuations are due to each department's changes in average use of actual services.

eProcurement/RivcoPRO – RivcoPRO - For FY 22/23 the management and oversight of RivcoPRO will pass to RCIT to better align application oversight of countywide software. During the transition it was agreed that the rate methodology would remain the same until RCIT has had a full year to assess any potential areas to streamline efficiency's that would lead to cost reductions. The rate budget for RivcoPRO will remain flat at \$1,881,325. Departmental fluctuations are purchase order driven and based on departmental purchases.

Riverside Sheriff's Office (RSO)

No department impact as the budget remained flat.

Public Safety Enterprise Communication System (PSEC) - PSEC oversight and management has shifted to Sheriff from RCIT in current fiscal year. The department will continue to monitor for potential efficiencies and improvement of services. The PSEC budget will remain flat at \$13,016,050. However, the county-wide department allocations will recognize a decrease from current fiscal year of \$252,132. The decrease is a result of external customers moving up in the incentive plan and paying more for

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services thus reducing internal costs. The fluctuations are based on department need to add or reduce radios.

Historical Information

On June 15, 2010, the Board of Supervisors approved the addition of Board Policy B-28 Charges for Internal Services and General Support 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 require documentation that is more detailed.

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.