

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF THE COUNTY OF SAN BERNARDINO
AND RECORD OF ACTION**

May 18, 2021

FROM

LEONARD X. HERNANDEZ, Chief Executive Officer, County Administrative Office

SUBJECT

Internal Service Rate and Departmental Recharge Adjustments

RECOMMENDATION(S)

Approve annual adjustments to internal service fund rates and departmental recharges effective July 1, 2021 as outlined in Attachments A-I.

(Presenter: Matthew Erickson, County Chief Financial Officer, 387-5423)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of the 2021-22 internal service rates and departmental recharges for services provided to other County departments, Board Governed Special Districts and other agencies will result in a net increase in revenues of \$2.95 million, of which an estimated \$1.1 million reflects a reduced use of Discretionary General Funding (Net County Cost), primarily due to changes in Risk Management premiums.

BACKGROUND INFORMATION

Internal service funds (ISF) are a mechanism for cost recovery of services provided by a County department to other County departments, and the internal service departments that provide such services include Fleet Management (Fleet), Innovation and Technology (ITD), Purchasing, and Risk Management. Human Resources, Real Estate Services (RES), and the Assessor/Recorder/County Clerk (ARC) also develop departmental recharges to recover costs.

County Policy 05-07 states that ISF rates are established by the Board of Supervisors. Adjustments to ISF rates and departmental recharges effective July 1, 2021 will allow those departments to recover the full cost of providing services to County departments, Board Governed Special Districts, and other agencies. County Policy 11-03 requires any County department, Agency, or Special District to utilize the services of internal service departments when those services are necessary, which allows the ISF department to provide economical services and maintain prudent cost control. Exceptions to this policy are approved on a case-by-case basis by the internal service department, with any permanent exceptions approved by the County Administrative Office (CAO) – Finance and Administration. For ISFs, the proposed rates are recommended to recover costs, ensure adequate working capital, and maintain appropriate designated reserve balances. ISF service rates are typically reviewed annually and adjusted, if needed, to ensure full cost recovery.

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Given the extraordinary demand placed on County resources in response to the COVID-19 pandemic, the CAO waived the requirement to conduct a countywide internal service fund (ISF) rate study for 2021-22 to allow departments to continue focusing valuable staff time on managing and responding to the pandemic and provide additional time to monitor the resulting economic impacts on service delivery and related costs. Departments will be required to conduct a rate study in 2021-22 to recommend rates and departmental recharges for 2022-23.

Although the rate study was not required for the 2021-22 fiscal year, some departments need to proceed with rate changes to ensure program viability and completed a full costing of rates, including ITD for its Business Solutions Development Division, RESD for its Project Management Division, and Risk Management for the entirety of its rates to recover insurance premiums. The proposed 2021-22 rates are reflected in the corresponding attachments.

Fleet (Attachment A)

Fleet provides acquisition, maintenance, repair, modification, and disposal services for the majority of County vehicles and equipment. Fleet charges rates for both Garage and Motor Pool services.

- Fleet's main garage in San Bernardino includes four shops (automotive, heavy duty, welding/metal fabrication, and generator services), as well as, a parts room and fueling station. Fleet also operates five smaller service centers in outlying locations (Barstow, Needles, Rancho Cucamonga, Twentynine Palms, and Victorville) and 62 strategically located fueling sites. Fleet also provides lock-up services including security related duties, emergency field services, wet hosing, and fuel tank management.
- Fleet operates a motor pool that has ownership and/or maintenance responsibility for approximately 2,100 vehicles/equipment assigned to or used by County departments. Approximately 90% of the vehicles are assigned to various County departments, with the remaining vehicles available from the Motor Pool for daily use. Fleet also provides Department of Motor Vehicle registration services.

No rate changes are recommended for 2021-22.

ITD (Attachment B)

The ITD ISFs provide the following major services: Computer Operations, Telecommunication Services, and Business Solutions Development.

- Computer Operations provides for the design, operation, maintenance, and administration of the County's enterprise data center which supports the mainframe and includes server management, integrated document imaging, and print operations. Computer Operations also provides the County with global email, technology policies and procedures, security direction, and technical services that support desktop communications and functions countywide.
- Telecommunication Services provides for the design, operation, maintenance, and administration of the County's phone network, the microwave transport network, virtual private network access (VPN), wide area network (WAN), paging system, and the County's Regional Public Safety Radio System.

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- Business Solutions Development (BSD) provides programming and consulting services to County departments for the development, enhancement, and maintenance of business solutions on a variety of hardware and software platforms.

The majority of ITD's funding is derived from service rates charged to County departments for maintenance, support, and enhancement services for County computer systems, enterprise data and other IT related services, and the use of the County's telecommunication services and networks.

For 2021-22, ITD requests an adjustment to the BSD hourly rate to ensure program viability. This rate increase is primarily related to negotiated salary, employee benefits and retirement cost increases, and a change in methodology for indirect costs.

Overall, proposed changes to the 2021-22 ITD BSD hourly rate and projected units results in increased revenue of \$0.9 million. Although the rates for Computer Operations are not recommended to change, an anticipated change in units is estimated to result in increased revenue of \$0.1 million. The net revenue increase of \$1.0 million includes an estimated increase of \$0.4 million in the use of Net County Cost.

Purchasing (Attachment C)

In addition to the procurement of County goods and services, Purchasing manages three ISF programs – Mail/Courier Services, Printing Services, and Surplus Property and Storage Operations.

- Mail/Courier Services provides mail handling and interoffice mail/courier delivery. Mail handling includes various expedited shipping services to County agencies, departments, Special Districts, the Superior Court, and some municipalities. This ISF also provides automated mailing services such as inserting, folding, tabbing, and labeling.
- Printing Services designs, prints, and finishes high quality print production materials and operates two locations for Quick Copy services. Printing jobs vary and may include a number of services such as graphic design, offset printing, drilling, collating, binding, and shrink-wrapping. Printing Services works closely with Mail/Courier Services when completed print jobs are to be mailed to County residents.
- Surplus Property and Storage Operations manages storage and disposition of property for County departments. This division reallocates used furniture and equipment to maximize the return on surplus assets, including contracts with auctioneers and recyclers to reduce solid waste in County landfills.

No rate changes are recommended for 2021-22.

Risk Management (Attachment D)

Risk Management administers the County's self-insured workers' compensation, public liability, property conservation, safety and risk reduction programs and its insured programs. All programs are paid from self-insurance funds and funded by County departments and Board Governed Special Districts. Each is billed for their specific coverage for the cost to pay losses and excess insurance premiums under the self-insured programs, and the cost of insurance for the insured programs.

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Attachment D summarizes total proposed premiums to be collected in 2021-22, which are increasing by \$1.75 million from 2020-21. The increase in premiums is due primarily to the increase in Road Design liability coverage of \$2 million. This increase is partially offset by a net decrease of \$0.25 million for the remaining coverages. The premium increases are consistent with County Policy 05-01 that targets an 80% confidence level in all Risk Management self-insurance funds as determined by a yearly actuarial study. Rate adjustments are made based on Board-approved premiums.

Human Resources (Attachment E)

The Employee Benefits and Services Division of the Human Resources Department administers the County's health, dental, vision, deferred compensation, and life insurance plans as well as its integrated leave programs. No adjustments to the Human Resources departmental recharge are recommended for 2021-22.

Real Estate Services (Attachments F-H)

Three divisions of Real Estate Services charge user rates: Facilities Management, Leasing and Acquisition, and Project Management.

- The Facilities Management Division (FM) provides maintenance, custodial, and grounds services for County facilities. FM bills departments directly for Basic Services for department-occupied space, including normal, routine activities and preventative maintenance. These Basic Services do not include major maintenance over \$5,000, which is funded in the Capital Improvement Program (CIP).

Basic Services performed by FM are based on annual average costs per square foot for maintenance, custodial, and grounds services. No rate changes are recommended for 2021-22.

- The Leasing and Acquisition Division (LAD) consists of two rate charging sections: Leasing and Property Management and Appraisal and Acquisitions. The primary responsibilities of the Leasing and Property Management section are to negotiate and administer revenue and expenditure leases on behalf of County departments. The Appraisal and Acquisitions section provides appraisal, acquisition and relocation assistance for County departments and other agencies.

Rates for expenditure leases are based on a percentage of annual lease costs for all leases with payments of \$36,000/year and greater. Hourly rates are charged for all other services, including revenue leases and expenditure leases below the \$36,000/year threshold. No rate changes are recommended for 2021-22.

- The Project Management Division (PMD) is responsible for planning and implementing the design and construction of capital projects. PMD recovers costs for project management and inspection services through rates charged to capital projects for these services. Estimates of these costs are included within each CIP project budget. The 2021-22 rate changes result in an increase in reimbursements of \$213,836 primarily due to increased salary, benefit, and indirect costs.

ARC (Attachment I)

The ARC administers County Archives to support County departments by identifying, collecting, preserving, and arranging County records with historical and permanent research value. The

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ARC also ensures that these records are available to County departments by retrieving and refiling them, as requested. No rate changes are recommended for 2021-22.

PROCUREMENT

Not applicable

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Penny Alexander-Kelley, Chief Assistant County Counsel, 387-5445) on April 19, 2021; Risk Management (Diane Rundles, Human Resources Director, 387-5570) on May 4, 2021; Finance [Joon Cho (387-5402), Monique Amis (387-4883), and Carl Lofton (387-5404), Finance Analysts] on April 7, 2021; and Finance and Administration [Kelly Welty (387-4376) and Valerie Clay (387-2073), Deputy Executive Officers] on April 7, 2021.

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Record of Action of the Board of Supervisors
County of San Bernardino

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Janice Rutherford
Ayes: Col. Paul Cook (Ret.), Janice Rutherford, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: May 18, 2021



cc: File- Administrative Office w/attach
LA 05/25/2021