

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

June 9, 2026

FROM

LUTHER SNOKE, Chief Executive Officer, County Administrative Office

SUBJECT

Internal Service Fund Rate and Department Recharge Adjustments

RECOMMENDATION(S)

Approve annual adjustments to internal service fund rates and department recharges, effective July 1, 2026, as outlined in Attachments A through K.

(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 2026-27 Internal Service Fund (ISF) rates and department recharges for services provided to other County departments, Board Governed Special Districts (Special Districts), and other agencies will result in a total increase in revenues of \$46.4 million, which is primarily due to rate increases in the Risk Management Department (Risk Management) most notably in law enforcement liability. This amount includes an estimated increased use of Discretionary General Funding (Net County Cost) of \$9.8 million, attributable to Risk Management (\$7.8 million), Projects and Facilities Management Department (PFMD) Basic Services (\$1.8 million), Human Resources (\$155,724), and Innovation and Technology Department (\$0.1 million). The costs for the rate increases, along with additional Discretionary General Funding, have been planned for and have been included in the County's 2026-27 Recommended Budget.

BACKGROUND INFORMATION

ISFs are a financial mechanism used by the County to recover costs incurred by one department when performing services or procuring goods on behalf of other departments or agencies. Departments and agencies pay ISF departments through established service rates. The internal service departments (ISF department) that provide such services include Fleet Management (Fleet), the Innovation and Technology Department (ITD), the Purchasing Department (Purchasing), and Risk Management. The Human Resources Department (HR), Real Estate Services Department (RESA), PFMD, County Communications, Assessor-Recorder-County Clerk (ARC), and the Auditor-Controller/Treasurer/Tax Collector (ATC) also develop department recharges to recover costs.

County Policy 05-07 states that the Board of Supervisors (Board) approves ISF rates. Adjustments to ISF rates and department recharges, effective July 1, 2026, will allow these departments to recover the full cost of providing services to County departments, Special

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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 ISF department, with any permanent exceptions approved by the County Administrative Office (CAO) – Finance and Administration. For ISFs, the proposed rates aim to recover costs, ensure adequate working capital, and maintain appropriate designated reserve balances for capital asset purchases and replacement, unexpected expenses, and revenue shortfalls. ISF service rates are typically reviewed annually and adjusted, if needed, to ensure full cost recovery and appropriate fund balances and cash reserves.

The following departments currently charge ISF service rates and/or department recharges. Additionally, details on the proposed 2026-27 rates and recharges are reflected in the referenced attachments.

Fleet Management Department (Attachment A)

Fleet provides acquisition, maintenance, repair, modification, and disposal services for the majority of County vehicles and equipment, while also offering various fleet support services to the San Bernardino County Fire Protection District and the Sheriff/Coroner/Public Administrator. 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 fuel station. Fleet operates five smaller service centers in outlying locations (Barstow, Needles, Rancho Cucamonga, Twentynine Palms, and Victorville) and 63 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 2,600 vehicles and 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 Vehicles registration services.

Fleet's proposed Garage rate changes are projected to result in a net revenue increase of \$1,177,199. The proposed rate changes include both increases and decreases to Garage rates. These rate changes are primarily due to increased services and supplies costs, Board approved Memoranda of Understanding (MOU) increases, increased parts and fuel costs, and increased vehicle replacement costs. The decreases are primarily attributable to reduced tire fees and lower materials costs compared to the previous year.

Fleet's proposed Motor Pool rates changes are projected to result in a net revenue increase of \$912,518. Fleet is proposing both increases and decreases to Motor Pool rates. These rate changes are primarily attributable to increased labor, parts, and vehicle replacement costs associated with vehicle rentals of various sizes and classes. The proposed decreases are primarily due to reduced operating costs compared to the previous year.

Combined, approval of the proposed changes to Fleet's Garage and Motor Pool rates is projected to have a net impact of approximately \$2.1 million in increased revenue. There is no anticipated use of additional Net County Cost.

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Innovation and Technology Department (Attachment B)

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

- Computer Operations rates fund operation and support of enterprise systems and critical County functions, including Base Information Technology (IT) Services. Base IT Services cover enterprise data centers, wide area network, network security, internet and intranet access, global address services, service desk, information security, virtual private network, and data analytics. Additional systems and services include Card Access, for secure building access, the County's Central Processing Unit usage, Desktop Support, End-User Hourly Support, Enterprise Content Management (document imaging), File Sharing Storage, IT Project Management, Managed Productivity Services (cloud-based desktop suite), Network Labor, Payroll System Services, Private Cloud Labor, Scanning, Server Rackspace, Server Storage, Virtual Server, and Warrant Printing.

For 2026-27, the Server Rackspace charge measurement was changed from per server per month to per rack unit per month, and Enterprise Printing was renamed to Warrant Printing.

- Telecom's rates fund the design, operation, maintenance, and administration of the County's telephone network, the County's Regional Public Safety Radio System, and the microwave transport system that provides transport capabilities for each of these individual networks and the wide area network. Telecom also has rates for Telecommunication Labor Services for telephone, data cabling, repair, and other specialized telecommunication services. For 2026-27, a new service rate has been developed for Dispatch Console Upgrade Replacement for the required replacement of dispatch consoles with upgraded technology.
- BSD's rate funds programming and consulting services provided to County departments for the development, enhancement, and maintenance of business applications, websites, and technology 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 center services, other related services, and the use of the County's telecommunication services and networks. ITD's service rates are reviewed annually and adjusted, if needed, to ensure full cost recovery for the services provided.

For Computer Operations, ITD is proposing a combination of increases and decreases. These rate changes are primarily due to direct and indirect cost changes as well as updates to customer usage as applicable to each service. Overall, Computer Operations' proposed rate changes result in net revenue increase of \$4.5 million.

For Telecom, ITD is proposing a combination of increases and decreases. These rate changes are due to an increase in direct and indirect costs as well as updates to customer usage as applicable to each service, although the primary driver of costs is the expense associated with console upgrade replacements. Overall, Telecom's proposed rate changes are projected to result in a net revenue increase of \$5.8 million.

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For BSD, ITD is proposing an increase in the ISF's sole rate. This rate change is due to an increase in direct and indirect costs as well as updates to customer usage. Overall, this results in a net revenue increase of \$1.4 million.

Overall, proposed changes in ITD's 2026-27 rates result in an increase in revenue of \$11.7 million. The net revenue increase includes the use of additional Net County Cost of \$0.1 million.

Purchasing Department (Attachment C)

In addition to the procurement of County goods and services, Purchasing manages three ISFs – Mail/Courier Services, Printing Services, and Surplus Property and Storage Operation (Surplus).

- 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 provides digital and wide-format printing and Quick Copy centers.
- 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.

Overall, the Purchasing rate revenue for 2026-27 is projected to increase by \$0.7 million. The net increase is primarily due to a higher projected rate revenue in Printing Services, partially offset by reductions in Surplus Property and Storage Operations that are necessary to maintain an appropriate fund balance and cash reserves.

Risk Management Department (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 are funded by County departments and Special Districts. Claims amounting to more than the self-insured retention for each program will be covered by excess insurance carriers where excess insurance is available. Each is billed for their specific coverage for the cost to pay losses and excess insurance premiums under the self-insured programs.

The total proposed premiums to be collected in 2026-27 are increasing by \$24.8 million from \$206.5 million to \$231.3 million. This increase results in an overall net increase to Net County Cost of \$7.8 million, primarily due to increases in Law Enforcement Liability (LEL). The LEL Program provides coverage to law and justice departments for liability arising from law enforcement. The increase in this premium is due to increased claim activity, higher outstanding liabilities, and continued litigation trends affecting law enforcement liability exposure. The overall Net County Cost increase is partially offset by a reduction in the General Liability, Auto Liability, and Workers' Compensation programs. The premium increases are consistent with County Policy 05-01, which targets an 80% confidence level in all Risk Management self-insurance funds as determined by a yearly actuarial study. Specific insurance rate adjustments are made based on Board-approved premiums.

Human Resources Department (Attachment E)

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The Employee Benefits and Services Division (EBSD) of HR administers the County's health, dental, vision, deferred compensation, and life insurance plans as well as its integrated leave programs. These services are reviewed annually to determine the cost and are funded through a combination of revenue and departmental recharges. Department recharges are billed to County departments based on budgeted staffing.

The 2026-27 proposed department recharge for the EBSD is increasing from \$2.3 million to \$2.9 million. The increase is primarily attributed to Board-approved salary and benefit across-the-board increases, but also due to increased personnel costs in unfunded program expenses that do not have an established administrative fee. This results in an estimated increase to Net County Cost of \$155,724.

Real Estate Services Department (Attachment F)

The RESD 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.

RESD estimates an overall increase in revenue of \$1.3 million primarily due to an increase in the hourly billing rate associated with higher salary and benefit costs, with a secondary impact from increased billable hours resulting from filling vacant positions and adding staff. There is no anticipated use of additional Net County Cost.

Project and Facilities Management Department (Attachments G and H)

PFMD is responsible for the oversight of the County Project Management (PMD) and the Facilities Management (FMD) divisions. The PMD and FMD divisions both charge user rates.

- 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.
- FMD provides maintenance, custodial, and grounds services for County facilities. FMD 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 FMD are based on annual average costs per square foot for maintenance, custodial, and grounds services.

FMD uses hourly rates to charge County departments and other agencies for additional grounds, custodial, and maintenance services that are requested throughout the year,

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on an as needed basis and are not included in Basic Services. These rates are calculated based on work requisition volume estimates based on historical data.

The 2026-27 PMD proposed rate changes result in an increase in reimbursements of \$844,970, primarily due to an overall increase in billable hours. The classification rates for positions that provide PMD services will remain flat for 2026-27. There is no anticipated use of additional Net County Cost.

For 2026-27, revenue for FMD Basic Services is expected to increase by \$3.8 million, resulting in additional Net County Cost of \$1.8 million. The increase is primarily due to inflation, increases in service and labor costs, Board-approved MOU increases, as well as increased square footage to be maintained.

For 2026-27, revenue for FMD hourly rates revenue is expected to increase by \$360,718. This increase is due to an estimated increase in billable hours and rising costs. There is no anticipated use of additional Net County Cost.

Assessor-Recorder-County Clerk (Attachment I)

The ARC administers the County Archives to support County departments by identifying, collecting, preserving, and arranging County records with historical and permanent research value. The ARC also ensures that these records are available to County departments and the public by retrieving and refiling them, as requested, as well as providing an online index.

The ARC charges service rates to County departments that use Archives in order to adequately fund and improve Archives operations. Costs for the departments are based on usage.

The proposed rate changes for the ARC result in an estimated increase in revenue of \$121,130. The increase is primarily due to staffing expenses associated with the addition of a new supervisor position in County Archives. There is no anticipated use of additional Net County Cost.

County Communications (Attachment J)

County Communications was established in 2022-23 to support County communications and departments' marketing needs by providing consistent high-quality graphic design, videography, photography, and marketing and events audio-visual services. County Communications is funded by a combination of Discretionary General Funding (Net County Cost) and rate revenue.

The proposed rate changes for County Communications will result in an estimated increase in revenue of \$4,593. The increase is primarily due to Board-approved MOU increases. There is no anticipated use of additional Net County Cost.

Auditor-Controller/Treasurer/Tax Collector (Attachment K)

ATC is responsible for ensuring the financial integrity and accountability of all County departments. ATC has two separate rates for services to better align with Office of Management and Budget guidelines, which emphasize the accurate and appropriate allocation of indirect (overhead) costs. These recharges distribute direct costs for controller reporting and auditing services more fairly across County departments.

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The proposed rate changes will result in an estimated increase in revenue of \$21,545. The increase is primarily attributed to an increase in billable hours within the Management Services and General Accounting divisions. There is no anticipated use of additional Net County Cost.

PROCUREMENT

Not applicable.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Julie Surber, Principal Assistant County Counsel, 387-5455) on April 23, 2026; Auditor-Controller/Treasurer/Tax Collector (Vanessa Doyle, Assistant Auditor-Controller/Treasurer/Tax Collector, 382-3195) on May 19, 2026; Finance (Kathleen Gonzalez, 387-5412, Garrett Baker, 387-3077, Eduardo Mora, 387-4376, Carl Lofton, 387-5404, and Jenny Yang, 384-4884, Administrative Analysts) on May 12, 2026; and County Finance and Administration (Valerie Clay, Deputy Executive Officer, 387-5423) on May 15, 2026.

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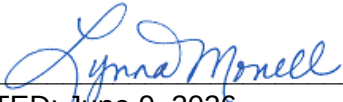
Record of Action of the Board of Supervisors
San Bernardino County

APPROVED (CONSENT CALENDAR)

Moved: Joe Baca, Jr. Seconded: Curt Hagman

Ayes: Col. Paul Cook (Ret.), Jesse Armendarez, Dawn Rowe, Curt Hagman, Joe Baca, Jr.

Lynna Monell, CLERK OF THE BOARD

BY 
DATED: June 9, 2026



cc: File - Administrative Office w/ attachments
JLL 06/26/2026