

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

**June 10, 2025**

**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, 2025, 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 2025-26 internal service fund (ISF) rates and department recharges for services provided to other County departments, Board Governed Special Districts, and other agencies will result in a total increase in revenues of \$23 million, which is primarily due to rate increases in the Innovation and Technology Department (ITD). This amount includes an estimated increased use of Discretionary General Funding (Net County Cost) of \$15.3 million, primarily due to changes in the Department of Risk Management (Risk Management), ITD, and Project and Facilities Management (PFMD) charges. The costs for the rate increases, along with additional Discretionary General Funding, have been planned for and have been included in the County's 2025-26 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 that provide such services include Fleet Management (Fleet), 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 most recently the Auditor-Controller/Treasurer/Tax Collector (ATC), also develop department recharges to recover costs.

County Policy 05-07 states that ISF rates are established by the Board of Supervisors (Board). Adjustments to ISF rates and department recharges, effective July 1, 2025, will allow these 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

## **Internal Service Fund Rate and Department Recharge Adjustments June 10, 2025**

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 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, except ATC, currently charge ISF service rates and/or department recharges. Additionally, details on the proposed 2025-26 rates and recharges are reflected in the corresponding attachments.

### **Fleet Management (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 2,400 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 Vehicles registration services.

Fleet's proposed changes to Garage rates are projected to result in a net revenue increase of \$651,014. Overall, Fleet is proposing some increases and decreases to Garage rates. These rate changes are primarily due to increased Services and Supply costs, Board approved Memoranda of Understanding (MOU) increases, increased parts and fuel costs, and increased vehicle replacement costs.

Fleet's proposed changes to Motor Pool rates are projected to result in a net revenue increase of \$2.1 million. For Motor Pool rates, Fleet is also proposing a combination of increases and decreases. These rate changes are a result of the overall cost changes in labor, parts, and vehicle replacement costs for vehicle rentals of various sizes and classes.

Combined, approval of the proposed changes to Fleet's Garage and Motor Pool rates is projected to have a net impact of approximately \$2.8 million in increased revenue. There is no anticipated use of additional Net County Cost.

### **Innovation and Technology Department (Attachment B)**

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

## Internal Service Fund Rate and Department Recharge Adjustments June 10, 2025

- Computer Operations rates fund operation and support of enterprise systems, including Base Information Technology (IT) Services (one of five services, formerly provided under the IT Infrastructure service rate). 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, data analytics, and business relationship management. Additional systems and services include the County's Central Processing Unit usage, Desktop Support, End-User Hourly Support, Enterprise Content Management (document imaging), Enterprise Printing, File Sharing Storage, IT Project Management, Network Labor, Payroll System Services, Scanning, and Server Storage. The following services were formerly under the IT Infrastructure rate, which is being restructured into the Base IT Services and the following services: Managed Productivity Services (cloud-based desktop suite), Card Access, Server Rackspace, and Virtual Server.
- Telecom's rates fund the design, operation, maintenance, and administration of the County's phone network, the microwave transport system, and the County's Regional Public Safety Radio System.
- BSD's rate funds 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 related services, and the use of the County's telecommunication services and networks.

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. Some rate changes include the addition of enhanced cybersecurity services, end-point management system, cloud software, and mainframe services. Overall, Computer Operations' proposed rate changes result in net revenue increase of \$9.6 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. The primary change is due to the use of Unrestricted Net Position in the prior fiscal year that is no longer needed. Overall, Telecom's proposed rate changes are projected to result in a net revenue increase of \$1.7 million.

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. The primary change is due to the use of Unrestricted Net Position in the prior fiscal year that is no longer needed in the same capacity. Overall, this results in a net revenue increase of \$2.9 million.

Overall, proposed changes in ITD's 2025-26 rates result in an increase in revenue of \$14.2 million. The net revenue increase includes the use of additional Net County Cost of \$3.4 million.

Purchasing Department (Attachment C)

## **Internal Service Fund Rate and Department Recharge Adjustments June 10, 2025**

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 2025-26 is projected to decrease by \$1.2 million. The decrease is primarily due to rate reductions in Printing Services necessary to maintain an appropriate fund balance and cash reserves.

### Department of 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 are funded by County departments and Board Governed 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 2025-26 are increasing by \$3.9 million from 2024-25. This increase results in an overall net increase to Net County Cost of \$10.6 million primarily due to increases in Law Enforcement Liability and Auto Liability. The increase in these premiums are due to several factors, such as an increase in claim activity and outstanding liabilities. Additionally, the insurance market has experienced an upswing in excess insurance premiums industrywide, or "hardening," due to stricter underwriting practices. The overall Net County Cost increase is partially offset by a reduction in the Property, Medical Malpractice, and Workers' Compensation insurance 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)

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 2025-26 proposed department recharge for the EBSD is increasing from \$2.1 million to \$2.3 million. This results in an estimated increase to Net County Cost of \$45,944.

### Real Estate Services Department (Attachment F)

## **Internal Service Fund Rate and Department Recharge Adjustments June 10, 2025**

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. The department estimates an overall increase in revenue of \$470,712 primarily due to a projected increase in billable hours in 2025-26 resulting from the department being able to recently fill positions that were vacant in 2024-25, which created a shortfall in revenue in the current year (originally estimated to be \$2,536,975 during rate development in the prior year). 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 FMD and PMD divisions both charge user rates.

- FMD 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 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 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.

- 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.

For 2025-26, revenue for FMD Basic Services is expected to increase by \$2.2 million, resulting in additional Net County Cost of \$1.3 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 2025-26, revenue for FMD Hourly Rates revenue is expected to increase by \$400,446. This increase is due to an estimated increase in billable hours and rising costs for 2025-26. There is no anticipated use of additional Net County Cost.

## **Internal Service Fund Rate and Department Recharge Adjustments**

### **June 10, 2025**

The 2025-26 PMD proposed rate changes result in a decrease in reimbursements of \$285,536, primarily due to an overall decrease in billable hours. While one billable position reclassification and two billable positions are proposed to be added to manage increased workload in a more efficient manner, billable hours are anticipated to decrease for five existing positions to allow the department to continue administrative efforts to improve project management standards. The classification rates for positions that provide PMD services are increasing primarily due to Board approved MOU increases and a decrease in billable hours. 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 to the departments are based on usage.

The proposed rate changes for the ARC result in an estimated decrease in revenue of \$7,786 primarily due to a decrease in costs. 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 \$113,828. 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. Beginning in 2025-26, ATC recommends establishing two separate rates for services already provided to better align with Office of Management and Budget guidelines, which call for a more accurate and appropriate allocation of indirect (overhead) costs. These new recharges will distribute overhead costs for controller reporting and auditing services more fairly across County departments. The proposed rates are estimated to generate \$295,910 in revenue. 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 May 7, 2025; Auditor-Controller/Treasurer/Tax Collector (Vanessa Doyle, Deputy Chief Controller, 382-3195) on May 14, 2025, 2024; Finance (Ivan Ramirez, 387-4020, Kathleen Gonzalez, 387-5412, Garrett Baker, 387-3077, Eduardo Mora, 387-4376, Erika Rodarte, 387-4919, Jenny Yang, 384-4884, and Jessica Trillo, 387-4222, Administrative Analysts) on May 12, 2025; and County Finance and Administration (Paloma Hernandez-Barker, Deputy Executive Officer, 387-5423) on May 22, 2025.

**Internal Service Fund Rate and Department Recharge Adjustments  
June 10, 2025**

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 10, 2025



cc: File - Administrative Office w/attachments  
JM 06/17/2025