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Executive Office
County of Riverside

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County Executive Officer

January 30, 2007

Honorable Board of Supervisors
County of Riverside
Robert T. Andersen Administrative Center
4080 Lemon Street, 5th Floor
Riverside, CA 92501-3651

SUBJECT: FY 2007/08 Internal Service Fees

Annually, in accordance with Board Policy B-4, internal service department managers, the Auditor-Controller, and the Executive Office evaluate existing and proposed charges for services. Internal fees include those from departments that administer true Internal Service Funds (ISFs), as well as those, such as Human Resources and Records Management, that function much like ISF's.

Following this memo are department proposals for next year's rates, to be incorporated in the proposed budget. Overall, ISF rates have decreased and reflect true cost of delivering services. These costs, in many cases, are recovered from grants and contract services. The following is a summary of the rate changes, in millions of dollars, requested by service departments and recommended by this office.

Internal Service	FY 05/06 Approved Changes	FY 06/07 Approved Changes	FY 07/08 Recommended Changes
OASIS	$1.3	$1.3	$(1.1)
Supply Services	0	0	0
Central Mail / Printing	0	0	0
Human Resources	0.5	4.1	1.5
Workers Comp	2.8	(3.2)	(6.8)
Property Insurance	0.4	0.9	.0
Liability Insurance	5.5	3.8	(4.8)
Med Malpractice	0.7	2.7	(2.7)
Unemployment	0.4	0	1.0
Records Mgmt	0	0.6	.1
Information Technology	0	(2.3)	1.9
Fleet Services	0	0.1	1.4
TOTAL CHANGE (in millions)	**$ 11.6**	**$8.0**	**($9.5)**

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OASIS rates for the Financials component and the HRMS component of OASIS will both show a decrease. This decrease is primarily due to increases in the number of county employees and OASIS assuming Data Center responsibility from the Information Technology Department.

There will be no increase in Supply Services, Central Mail or Printing charges. The Records Management and Archive program, show a minimal increase primarily due to increased production costs and higher skill levels required for program services. The change reflects an increase in production costs and a higher skill level of employees providing program services.

Fleet rates for motor pool services and maintenance show an increase of approximately 4%. These rates have not been adjusted since FY 2002/03. The motor pool services increase is due to a change in the methodology for calculating and applying costs which will bring fleet into alignment with the industry norms. Maintenance costs reflect increases in general maintenance costs, fuel costs, COLAs and addition of new facilities

The Information Technology department is requesting an increase of approximately 5% for FY 2007/08. The department completed an extensive review of its rates and the rate development methodology for FY2006/07. As the department developed the ISF rates for FY 2007/08 there was a continued effort to fine tune the rates in order to ensure the rate structure reflects current costs.

Human Resources rates are proposed to increase approximately 9.5% and charges to individual departments will vary depending on their number of filled positions and additional service options. The rates established by the department are directly related to the number of employees in each county department. As the number of county employees has increased the Human Resources rates increase commensurately. Also impacting the rate are additional personnel hired to meet program demands as well as the aggressive hiring goals of the county. The department has incurred costs to provide additional leased space to handle their personnel expansion.

The proposed risk management rates were developed to attain a 70% confidence level as approved by the Board (in other words, there is a 70% probability that the fund would be able to cover projected claims). The proposed reduction in Workers Compensation rates is a result of legislative changes in workers compensation and various HR programs such as the return-to-work program, the repetitive motion injury treatment, and the Health Care Organization (HCO). The proposed reduction in the Property Insurance rates is a result of sufficient fund balance in the property fund and changes in the insurance market. The proposed decrease in General Liability cost is due to a combination of trends including: a decrease in actual losses sustained, losses settled below reserve estimates and an unexpected high interest rate earned on fund balance. The proposed Medical Malpractice rate decrease reflects a reduction in the number of Medical Malpractice claims combined with a higher than expected rate of return on fund balances. Unemployment Insurance is a self funded benefit program required by the State of California. An increase from 0.14% of base salary to 0.223% is required to fund this program in FY 2007/08. The proposed rate increase will cover the expected expenditures and maintain adequate fund reserves. There is also a small increase in Short-Term Disability and Long-Term disability insurances. This will not have a significant impact on overall ISF rates.

While some of these extra internal service and insurance costs can be covered by fees or through reimbursements from outside funding sources, the CEO anticipates evaluating, on a case-by-case basis, departments that may be unable to fully absorb cost increases. Recommendations regarding these will be made as part of the regular budget process.

It is, therefore, recommended that the Board of Supervisors approve each of the attached rate-related proposals from OASIS, Supply Services, Fleet Services, Records Management, Information Technology and Human Resources (Including; Workers Comp, Property Insurance, Liability Insurance, Medical Malpractice and Unemployment Insurance), Central Mail and Printing services.

Respectfully submitted,

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