Department of County Assets

To: County Business Partners

From: Sherry Swackhamer, Director, Department of County Assets

Subject: FY 2018 County Assets Cost Allocations and Service Rates

Date: December 09, 2016

This letter provides a broad overview of the Department of County Assets cost allocations and service rates to departments for FY 2018. Cost allocations and rates for the upcoming year are generally based on current service level expenditure budgets and a stable service-level outlook for the next year; however, increases are included for the impact of overall county growth in services, square footage and FTE, as well as, increases specifically requested by individual departments or to support countywide requirements.

Described below are the major programs in each of the County's four internal service funds and the costs to departments for next year. At the end of each section is a brief description of "what's on the horizon," or changes we anticipate working through over the *next* fiscal year.

County Assets IT Fund Programs

The **Information Technology** program provides all IT services to County programs, including business application development and support, enterprise tools and capabilities, network management, information security, desktop support, technology refresh, data center operations, and reporting services.

This program is estimated to cost $46.6 million, excluding the Enterprise Resource Planning (ERP) project costs and the $950,000 debt payment for the East County Data Center. With these exclusions, the IT program will increase 2.6% over FY 2017 which is below the Budget Office's forecast of 3.7%.

This increase is based on factors related to overall county growth, increases in personnel-related costs, and specific requests from individual departments. An estimated 1.5% of the increase is allocated for department specific requests. Information Technology costs are allocated to departments by rate drivers specific to the service being provided.

Applications Services make up a little over 31% of the IT program, with costs allocated directly to departments for business-specific applications; and allocated indirectly (via rate drivers) for enterprise-wide applications. Infrastructure costs are slightly less than half of the IT program, with costs allocated primarily by counts of devices in use.

Current IT rate driver data used for budgeting, such as devices, phone numbers, department staff headcounts, and server counts, were provided in September for comparison to the FY 2017 published rates and to allow review and adjustment prior to the FY 2018 budget season. No material cost driver changes were made for FY 2018.

The County is planning an implementation of a new cloud-based ERP system called Workday. The allocation cost for FY 2018 is $6.45 million and has been allocated based on departments' Adopted FY 2017 FTE. This allocation includes two components: the first is an amount equal to the existing FY 2017 charge to cover the East County Data Center debt payment. This debt payment has been paid off, and the amount pulled out of the IT rates and will now be used to cover the ERP costs. The second component is the additional cost. This additional cost increased the estimated IT program to $53.1 million for FY 2018.

The **Telecommunications** program provides and manages voice and video communication for about 5,639 County and business partner employees. This program is estimated to cost $2.8 million for FY 2018, a 5.8% increase from FY 2017 adopted budget. The increase is primarily due to overall County growth resulting in an additional 813 County phone numbers. Program costs are allocated by phone number.

The **Mobile Device Management** program acquires, provisions, monitors, and pays for 1,972 County-issued mobile devices in use as of November, 2016. This program is estimated to cost $1.2 million for FY 2018, a 15.2% increase from FY 2017 due to increases in both voice and data charges. Administrative costs are allocated by device ($8.00/month), and voice and data charges are passed through at cost.

What to expect for IT Fund programs in **FY 2018:** As the County continues to grow and expand services, costs associated with additional employees, personal computers, laptops, other devices, software licenses, etc. can be expected to grow proportionately. In FY 2018, we are maintaining current service levels across all of IT's services. We are able to shift some costs from areas that don't require the same level of ongoing support (e.g. SAP) to areas where demands are increasing, especially in the area of data analytics and self-service reporting. Cost savings related to the completion of the VoIP project have been built into the overall budget allocations, and we are moving towards leveraging the new telecom technologies for the dozens of call centers at the County. The investments we've made in cybersecurity tools and capabilities have decreased many risks, but we must remain vigilant and continue to invest in new capabilities as threats emerge. Cost drivers based on consumption of services (e.g. data storage, servers, etc.) will continue to be analyzed and, if necessary, adjusted for the next fiscal year after modeling the changes from current calculations and reviewing those changes with the new Technology Council that will be chartered early in CY 2017. The pre-planning for the ERP project will continue through FY 2017. The implementation and deployment will commence with the approval of the FY 2018 budget.

County Assets Facilities Fund programs

The **Facilities & Property Management** (FPM) program acquires, constructs, maintains, and manages the County's portfolio of building assets; more than 3.5 million square feet of owned and leased space in 133 locations throughout the County. This program is made up of multiple funds which receive internal service revenue, estimated to be $48.9 million in FY 2018, an overall 5.8% increase from FY 2017. Operations charges are estimated to be $18.2 million in FY 2018 which is a 9.0% increase over FY 2017. This increase is primarily due to overall county growth, increases in personnel-related costs, and increased square footage.

FPM costs are recovered as follows:

- Operations charges cover the cost of preventive maintenance, property management, electronic services, repairs, safety and compliance, dispatch, professional services and program administration. Square foot allocations vary based on space type.
- Utilities, Debt, and Leases are allocated based on specific building costs. An additional lease administration fee is included in the lease allocation.
- FPM/Vacant space charges are allocated by square footage across all space.
- Capital fees are $4.70 per square foot for FY 2018, an 8% increase from FY 2017 in accordance with Board policy.
- Enhanced Services are for additional contracted services, such as security, shredding and janitorial services.
- Service requests are charged at the shop rate plus materials for the requested work. FY 2016 totals are provided for reference, however departments should work with FPM to develop FY 2018 estimates.

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What to expect for FPM Fund programs in **FY 2018:** The recent increase in County owned space requires additional positions and services. Operations and Capital programs will continue to focus on activities and investments to support department service delivery. FPM will work to continuously improve efficiency; develop new flexible work space standards; sponsor strategic sourcing initiatives for safety and security, furniture purchasing, and surplus; and to increase customer service capacity. FPM will also evaluate current funding mechanisms to balance ongoing maintenance and capital investment requirements in alignment with the FPM Asset Strategic Plan.

County Assets Distribution Fund programs

The **Distribution Services** program provides pickup and delivery of mail and select supplies. Distribution costs should be considered under two sub-categories: fixed and pass-through. Fixed costs are the administrative overhead, such as personnel and software. These costs are recovered through an allocation based on number of mail stops, mail volumes (incoming & outgoing), and direct labor hours for special delivery services. Pass-through costs are the fees charged by vendors for postage, shipping, and sorting services net of presort discounts.

This program is estimated to cost $1.7 million for FY 2018, an 8.1% net decrease from FY 2017 published figures. The net decrease is driven by the elimination of 2 mail stops and a reduction in permit-projects.

The stop base rate for FY 2018 is $3,942 and the shop rate is $85/hour which remains the same as FY 2017. The drivers for the rates are based on usage and customers may see a fluctuation from FY 2017 to FY 2018.

The **Records Management** program maintains, archives, and recycles public records; and provides records management training and consultation. This program is estimated to cost $1.1 million in FY 2018, an 0.8% decrease from FY 2017.

What to expect for Distribution Fund programs in **FY 2018:** Distribution Services will continue to use industry best practices to provide increased efficiency and tracking. The implementation of the new mail sorting equipment is complete and continued optimization of both processes and costs are now the focus. Records Management will be driving further adoption of the recently implemented Electronic Records Management System.

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County Assets Fleet Fund programs

The **Fleet Services** program acquires, maintains, and manages the County's Fleet of approximately 700 vehicles. This program is estimated to cost $6.2 million in FY 2018. The total overall change to the County is 10.6% increase over FY 2017. This is due to an increase in vehicles subject to asset replacement recovery. Fleet Services costs are recovered through a service rate based on mileage, time and materials charges for work done on specialized equipment, an administrative overhead charge, and a replacement fee based on vehicle class and life cycle. Replacement costs are recovered on a per-vehicle basis, based on the lifecycle of the vehicle. Rates remain the same for FY 2018.

The **Motor Pool** program provides County-owned shared vehicles for single-trip or short-term use in three County locations and a CarShare program through Enterprise for the Downtown location. This program is expected to cost $747,809 in FY 2018. The total overall change to the County is 3.7% decrease over FY 2017. This model breaks out fixed costs (overhead) and pass-through charges (usage). The fixed costs are the program's overhead allocated by FY 2016 usage. The pass-through charges are an estimate for actual usage of motor pool, CarShare, or Enterprise Rental and can fluctuate.

What to expect for Fleet Fund programs in **FY 2018:** Fleet will continue to focus on vehicle replacement strategies to modernize the Fleet. These modernization activities have demonstrated a positive contribution to the reduction in Fleet Maintenance and Fuel cost. Upgrades to the Fleet Management system will provide improved functionality and transparency. New above ground fuel tanks will come online in FY 2018, providing on-site fueling capabilities for Fleet Operations and programs in East County, as well as, emergency/backup fuel sources in the case of a disaster. The Motor Pool program is focusing on fine tuning the Enterprise CarShare alternative for the Downtown Motor Pool Services and may provide other Motor Pool locations an alternative to the current County-owned model.

For any questions on your internal services for FY 2018, contact the resources listed for each area, or send an e-mail to dca.budget@multco.us for any DCA Budget questions.

For department-specific Information Technology questions, contact your department's Applications Services Manager.

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For department-specific Facilities questions, please contact your department's Property Manager.

For department-specific Fleet Services or Records Management questions, please contact Garret Vanderzanden at x83424.

For department-specific Distribution Services or Motor Pool questions, please contact Andrez Posada at x83533.

Thank you to the Department of County Assets Management Team and the Administrative Hub Budget Team—Chris Brower, Will Knorr, Deirdre Mahoney-Clark, Jayde Theobald and Jen Unruh for their hard work on this year's rates and cost allocation plans.