To: County Business Partners
From: Sherry Swackhamer, Director, Department of County Assets
Subject: FY 2015 County Assets cost allocations and service rates
Date: December 13, 2013

This letter provides a broad overview of the Department of County Assets service rates and cost allocations to departments for FY 2015. Rates and cost allocations for the upcoming year are based on current service level expenditure budgets, few rate driver changes, and a stable service-level outlook for the next year.

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, as well as contact information for your department-specific questions.

County Assets IT Fund Programs

The **Information Technology** program provides all IT services to County programs, including business application development and support, network management and security, desktop support and technology refresh, and data center and reporting services. This program is estimated to cost $36.2 million for FY 2015, a 3.9% net increase from FY 14. An estimated 1.7% of the increase is allocated directly to the Health Department for application development work as requested.

IT costs are allocated to departments by metrics specific to the cost being allocated. No metrics were changed for FY 2015. Applications Services make up about half of the IT program, with costs allocated directly to departments for business-specific applications; and indirectly 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.

The **Telecommunications** program provides and manages voice and video communication for about 5,000 County and business partner employees. This program is estimated to cost $3.1 million for FY 2015, a 7% increase from FY 2014. The increase is associated with operating the legacy phone system and the partially-implemented new phone system simultaneously. Program costs are allocated by *phone number* (in FY 2014 costs were allocated by *phone device*). Completing implementation of the Network Convergence project (voice over IP communications service) is the focus of this program for FY 2015, with cost savings estimated for FY 2016 as the legacy telecom network and circuits are decommissioned.

The **Mobile Device Management** program acquires, provisions, monitors, and pays for 1,625 County-issued mobile devices. This program is estimated to cost $1.06 million for FY 2015, a 2.5% reduction from FY 14. Administrative costs are allocated by device ($9.00/month), and voice and data charges are passed through at cost.

What to expect for IT Fund programs in **FY 2016:** As the economy recovers and the County continues to expand services, costs associated with additional employees—personal computers, laptops, and other devices, software licenses, etc--can be expected to grow. As IT replaces and modernizes systems, costs associated with infrastructure can be expected to decrease (voice services) or remain stable. Cost drivers based on consumption of services—Data & Reporting Services, enterprise Web services, data storage—will be analyzed and, if necessary, adjusted after Operations Council and business partner review.

For department-specific Information Technology questions, contact your department's Applications Services Manager. Chris Brower is the IT budget analyst, at x84001.

County Assets Distribution Fund programs

The **Distribution Services** program provides pickup and delivery of mail and select supplies. This program is estimated to cost $1.54 million in FY 2015, a 2.9% reduction from FY 2014. Distribution costs are recovered through a service rate based on number of mail stops, mail volumes incoming & outgoing, postage and shipping costs net of pre-sort discounts, and direct labor hours for special delivery services. Overall rate increases for FY 2015 are 2.2%. Key activities during FY 2015 include replacing legacy mail machines and convening the County's large mailers to coordinate mail delivery services.

Distribution Services has increased its service rate once in the past six years, which has resulted in an operating shortfall of about $130,000 for FY 2015. Reduced expenditures and fund balance are being used in FY 2015 to make up the difference.

The **Records Management** program maintains, archives, and recycles public records; and provides Records management training and consultation. This program is estimated to cost $904,000 in FY 2015, a 4% increase from FY 14. Program costs are allocated to County programs by records actions – boxes moved in or out of the Records Center.

What to expect for Distribution Fund programs in **FY 2016.** Distribution service rates will need another modest increase to cover the cost of operations; fund balance is expected to last through FY 2016. Records management will need a new cost allocation driver: with the implementation of electronics records management, movement of boxes will become a decreasingly accurate means of allocating costs fairly to County programs.

For department-specific Distribution Services questions, please contact Andrez Posada at x83533. Greta Ossman is the Distribution & Records budget analyst at x87578.

County Assets Facilities Fund programs

The **Facilities & Property Management** program acquires, constructs, maintains, and manages the County's portfolio of building assets – more than 3 million square feet of owned and leased space in 131 locations throughout the County. This program is estimated to cost $44.5 million in FY 2015, an overall 3.7% increase from FY 2014. Facilities costs are recovered as follows:

- $4.75 to $9.85 per square foot recovers the cost of operations, maintenance, property management, and program administration. Square foot charges vary based on space type occupied, and have increased by 1.0% over FY 2014. Operations & Maintenance activities represent about 40% of the cost of a department's Facilities charges.
- Utilities are passed through to programs at cost, based on usage.
- Debt Service is passed through at cost to those programs occupying buildings that have incurred debt. Debt Service and utilities are about 28% of a department's Facilities charges, on average.
- Capital fees are $3.75 per square foot for FY 2015, an 8% increase from FY 14. Capital fees account for about 19% of a department's Facilities charges.
- Leased space costs are passed through at cost to those programs occupying leased space. Leases are about 14% of a department's Facilities charges, on average—some departments occupy little leased space, however. Lease administration is recovered on a per-square-foot basis, at $1.37 for FY 2015.
- Enhanced Services are for additional contracted services – janitorial, security, landscaping services, etc. – over what is included in the base services document. These costs are charged at the contract amount per square foot to the program requesting them.
- Service requests are charged at the shop rate plus materials for the requested work.

The **Electronics Services** program maintains County electronic systems, cameras, radios, and other equipment. This trade group moved into the Facilities Fund in FY 2014. The program is expected to cost $1.0 million in FY 2015, a 1.9% increase from FY 2014. Costs are allocated based on pieces of equipment in use by County programs.

What to expect for Facilities Fund programs in **FY 2016**: To more completely conform to other Facilities trade groups, Electronics Services rates will change to a per-square-foot charge for buildings and to a maintenance and repair rate structure for vehicles/other equipment. Operations and Maintenance and the Capital program will evaluate various large, cyclical maintenance items and will develop and propose a funding mechanism to account for these types of expenses.

For department-specific Facilities and Electronics questions, please contact your department's Property Manager(s). Jana Smilanich-Rose is the Facilities budget analyst at x87587.

County Assets Fleet Fund programs

The **Fleet Services** program acquires, maintains, and manages the County's fleet of about 700 vehicles. This program—maintenance and repairs, management, and vehicle replacements—is expected to cost $5.1 million in FY 2015, a 0% increase from FY 2014. 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. These charges will increase on average 3.8% for FY 2015. Replacement costs are recovered on a per-vehicle basis, based on the lifecycle of the vehicle. Replacement costs are projected to be 6.5% less in FY 2015, due in large part to a net reduction in the size of the fleet.

Fleet Services operations rates have not been increased since FY 2009, which has contributed to an operating shortfall of about $400,000 in FY 2015. Service rate increases, expenditure reductions, and fund balance can be used in FY 2015 to make up the difference.

The **Motor Pool** program provides shared vehicles for single-trip or short-term use in four County locations. This program is expected to cost $400,000 in FY 2015, a significant increase over FY 2014. This increase is due to moving Motor Pool vehicle repair and fueling expenses from the Fleet Services program, and therefore represents no net increase year-over-year in the Fleet Fund. Motor Pool costs are recovered through an hourly charge of $5.75 per hour in FY 2015.

Motor Pool hourly rates have not increased since FY 2008, which has resulted in an operating shortfall of about $60,000 in FY 2015. The rate increase from $5.00 to $5.75 per hour makes up this difference and will make the program "whole" going forward.

What to expect for Fleet Fund programs in **FY 2016**: The County's arrangement with the City of Portland for Fleet maintenance services may provide the opportunity to re-evaluate our charge-back mechanism for repair and maintenance services. Implementing a new Motor Pool Reservation System will provide a similar opportunity. Fleet Services will have to evaluate options for re-locating the Downtown Motor Pool and will continue to implement the new vehicle replacements approved by the Board of County Commissioners in FY 2014.

For department-specific Fleet Services questions, please contact Garret Vanderzanden at x83424. Greta Ossman is the Fleet Services budget analyst, at x87578.

Thanks to the Department of County Assets managers and the Administrative Hub Budget Team—Chris Brower, Deirdre Mahoney-Clark, Greta Ossman, Jana Smilanich-Rose, and Chris Yager—for their hard work on this year's rates and cost allocation plans.