Department of County Assets

Multnomah County

To: County Business Partners

From: Sherry Swackhamer, Director, Department of County Assets *Sjs*

Subject: FY 2017 County Assets cost allocations and service rates

Date: December 11, 2015

This letter provides a broad overview of the Department of County Assets service rates and cost allocations to departments for FY 2017. Rates and cost allocations 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 and FTE, as well as, increases specifically requested by individual departments or to support countywide requirements. Additionally, increases are included for specific rates and cost allocations due to the spend down of beginning working capital (BWC) that in previous years was used to subsidize rates and cost allocations.

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, and data center and reporting services. This program is estimated to cost $44.2 million for FY 2017, a 6.7% net increase from FY 2016. This increase is based on factors related to overall county growth, increases in personnel-related costs, and specific requests from individual departments. An estimated 1.3% of the increase is allocated directly to the Health and Human Services departments for application development work as requested.

IT costs are allocated to departments by rate drivers specific to the service being provided. Applications Services make up a little over half (52%) of the IT program, with costs allocated directly to departments for business-specific applications; and allocated 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.

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Current IT rate driver data used for budgeting, such as devices, phone numbers, department staff headcounts, and server counts, were provided in August for comparison to the FY 2016 published rates and to allow review and adjustment prior to the FY 2017 budget season. No rate drivers were changed for FY 2017.

The **Telecommunications** program provides and manages voice and video communication for about 5,549 County and business partner employees. This program is estimated to cost $2.6 million for FY 2017, a 0.30% decrease from FY 2016. The decrease is primarily due to the conversion to Voice over Internet Protocol (VoIP) and the sunset of legacy exchange service contracts. Program costs are allocated by phone number.

The **Mobile Device Management** program acquires, provisions, monitors, and pays for 1,865 County-issued mobile devices in use as of November 2015. This program is estimated to cost $1.0 million for FY 2017, a 5.9% increase from FY 2017 due to increases in both voice and data charges. Administrative costs are allocated by device ($8.00/month, a decrease from $9.00/month FY 2016), and voice and data charges are passed through at cost.

What to expect for IT Fund programs in **FY 2017:** As the County continues to grow and expand services, costs associated with additional employees, personal computers, laptops, and other devices, software licenses, etc. can be expected to grow proportionately. In FY 2017, we will begin to realize cost savings related to the VoIP project, but the majority of the savings will be realized in FY 2018 and going forward. Being cognizant of the importance of protecting the County's data and information systems, we are responding to the increase in cybersecurity threats and hiring the County's first Chief Information Security Officer to develop an information security strategy and implementation plan. 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 Operations Council and all impacted business partners. No cost driver changes were made for FY 2017.

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 130 locations throughout the County. This program is made up of multiple funds which receive internal service revenue, estimated to be $46.2 million in FY 2017, an overall 9.0% increase from FY 2016. Operations charges are estimated to be $17.7 million in FY 2017 which is an 8.8% increase over FY 2016 published figures. This increase is primarily due to overall county growth, increases in personnel-related costs, and the spend down of BWC.

Facilities costs are recovered as follows:

- Operations charges recover the cost of maintenance, property management, electronic services (previously budgeted separately) and program administration. Square foot charges vary based on space type occupied.
- Utilities, Debt, and Leases are allocated to departments based on specific building costs and adjusted with facilities and vacant space charges apportioned across county space. An additional lease administration fee is included in lease charges.
- Capital fees are $4.35 per square foot for FY 2017, an 8% increase from FY 2016.
- Enhanced Services are for additional contracted services, such as security and janitorial services.
- Service requests are charged at the shop rate plus materials for the requested work. FY 2015 total figures are provided for reference, however departments should work with Facilities and Property Management to develop estimates based on their individual FY 2017 projected needs and resources.

What to expect for Facilities Fund programs in **FY 2017**: Operations and Capital programs will focus on activities and investments which support department service delivery. Facilities will continue efforts to improve efficiency of building systems, develop greater flexibility in work spaces, and increase response capacity to client requests. Facilities will also evaluate current funding mechanisms to appropriately balance ongoing maintenance and capital investment requirements that align with the Facilities 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-thru. Fixed costs are the administrative requirements to run the Distribution program, such as personnel and software. These costs are recovered through a service rate based on number of mail stops, mail volumes (incoming & outgoing), and direct labor hours for special delivery services. Pass-thru costs are the fees charged by vendors for postage, shipping, and sorting services net of presort discounts.

This program is estimated to cost $1.8 million for FY 2017, a 16.8% net increase from FY 2016. The net increase is driven by increases in vendor charges and permit postage and the spend down of BWC. The stop base rate (fixed costs) for FY 2017 is $3,942, which is a decrease from FY 2016. The shop rate of $85/hr remains the same as FY 2016. The drivers for the rates are based on usage and therefore customers may see a fluctuation from FY 2016 to FY 2017.

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 2017, an $95,319 increase from FY 2016. This is associated with the increased County programs records actions – boxes moved in or out of the Records Center and the alignment of DCA HUB administrative charges.

What to expect for Distribution Fund programs in **FY 2017:** Distribution service will be implementing new postage machines and software. This will provide increased efficiency and tracking. Records Management will be driving further adoption of the recently implemented Electronic Records Management System, which may lead to subsequent review of the drivers for the cost allocation model.

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 $5.6 million in FY 2017. The total overall change to the County is 4.87% over FY 2016. This increase is due to an increase in vehicles subject to asset replacement recovery and the alignment of DCA HUB administrative charges. 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 2017.

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 $776,873 in FY 2017. The allocation model is new for FY 2017 due to the sale of the Morrison Bridgehead and the move from utilizing County-owned vehicles to the use of the Enterprise CarShare program. This model breaks out fixed costs (overhead) and pass-thru charges (usage). The fixed costs are the program's overhead allocated by twelve month usage lookback.

The pass-thru charges are an estimate for actual usage of the program via motor pool, CarShare, or Enterprise Rental and can fluctuate depending on departmental usage.

What to expect for Fleet Fund programs in **FY 2017**: The focus on vehicle replacement strategies to modernize the County Fleet will continue to be a priority. This will include a full analysis of both the mix and makeup of the Fleet, and the ongoing replacement costs/sufficiency of the Asset Replacement Fund balance. These modernization activities have been a positive contributor to keeping Fleet Maintenance and Fuel cost from escalating as they have historically. Upgrades to the Fleet Management system will provide improved functionality and transparency. Implementing a Motor Pool Reservation System will provide a similar opportunity. Fine tuning of the Enterprise CarShare alternative for the Downtown Motor Pool Services will be a priority, and may provide other Motor Pool locations an alternative to the current County-owned model.

For any questions on your internal services for FY 2017, contact the resources listed for each area, or 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.

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, Johnny Fang, Deirdre Mahoney-Clark, and Jen Unruh for their hard work on this year's rates and cost allocation plans.