



Department of County Assets

To: County Business Partners
From: Sherry Swackhamer, Director, Department of County Assets
Subject: FY 2019 County Assets Cost Allocations and Service Rates
Date: December 13, 2017

This letter provides a broad overview of the Department of County Assets (DCA) cost allocations and service rates to departments for FY 2019. Our focus is to provide the highest level of customer service with a think yes attitude. Our goal is to build rate models which achieve the proper balance between simplicity and equity. Our objective and our ultimate responsibility is to adequately maintain the County's assets in support of the County's mission, vision, and values.

With this in mind, 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, 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 Information Technology Fund Programs

The Information Technology (IT) 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 \$50.4 million, excluding the Enterprise Resource Planning (ERP) project costs of \$6.5 million and the Cisco 5-year Enterprise License Agreement collection of \$400 thousand for renewal in FY 2023. With these exclusions,

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the IT program will increase 7.9% over FY 2018 adopted budget. An estimated 2.1% of the increase is allocated for department specific requests. The remaining increase is based on factors related to overall county growth, investments, and increases in personnel-related costs.

Information Technology costs are allocated to departments by rate drivers specific to the service being provided. Applications Services make up a little over 39% 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 34% 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 August for comparison to the FY 2018 published rates and to allow review and adjustment prior to the FY 2019 budget season. No material cost driver changes were made for FY 2019.

The County is implementing a cloud-based ERP system comprised of two existing software applications: Questica Budgeting and Multco Marketplace, and two new software applications: Workday, the core software application for Human Resources and Finance, and Tririga, software to support Facilities asset management. The allocation cost for FY 2019 is \$6.5 million and has been allocated based on departments' adopted FY 2018 FTE. This ERP collection is in the second year of a seven year collection program. In FY 2019, department allocations are reduced by \$1.6 million due to a reduction in debt payment for FY 2018.

The Telecommunications program provides and manages voice and video communications for 5,577 County and business partner employees. This program is estimated to cost \$3.1 million for FY 2019, a 10.6% increase from FY 2018 adopted budget, primarily due to inflationary increases. Program costs are allocated by phone number.

The Mobile Device Management program acquires, provisions, monitors, and pays for 2,072 County-issued mobile devices in use as of November, 2017. This program is estimated to cost \$1.2 million for FY 2019, a 1.0% decrease from FY 2018 due to a

decrease in mobile device administration fee. In FY 2018, this fee was \$8.00/month/device for FY 2019 it is \$7.00/month/device. Total devices have increased from 1,972 to 2,072. Administrative costs are allocated by device (\$7.00/month), and voice and data charges are passed through at cost.

What to expect for IT Fund programs in FY 2019: As the County grew and expanded services over the past several years, costs associated with additional employees, personal computers, laptops, other devices, and software licenses, etc. grew proportionately. Investments that were made in previous fiscal years in cybersecurity, network and telecom, and other application and infrastructure services have ongoing operating support costs. In FY 2019, we are maintaining current service levels across all of ITs services. Also, beginning in FY 2019, we will allocate the increased costs associated with the implementation of the new ERP suite of applications. We continue to shift some costs from areas that don't require the same level of ongoing support to areas where demands are increasing, especially in the area of data analytics and self-service reporting. 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 established in June 2017.

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 3.6 million square feet of owned and leased space in 142 locations throughout the County. This program is made up of multiple funds which receive internal service revenue, estimated to be \$56.7 million in FY 2019, an overall 17.0% increase from FY 2018. Operations charges are estimated to be \$19.9 million in FY 2019 which is a 10.8% increase over FY 2018. This

increase is primarily due to increases in personnel-related costs, external lease recovery and restoring base services.

FPM costs are recovered as follows:

- Operations charges cover the cost of preventive and scheduled maintenance, repairs, property management, electronic services, safety and compliance, dispatch, energy management, sustainability, 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 on a square footage basis across all County programs (Library District is excluded from vacancy allocation).
- Capital fees are \$5.05 per square foot for FY 2019, an 8.0% increase from FY 2018 in accordance with Board policy.
- Enhanced Services are for contracted services above base services levels, such as security, shredding and janitorial services.
- Service requests are charged at the shop rate plus materials for the requested work. FY 2017 and the previous four years totals are provided for reference; however departments should work with FPM to develop FY 2019 estimates.

What to expect for FPM Fund programs in FY 2019: In FY 2018 FPM reduced base services. In FY 2019 these services will be restored. Operations and Capital programs will focus on activities and investments to adequately maintain building systems so that they 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 Facilities Asset Strategic Plan (FASP).

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 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 \$2.1 million for FY 2019, a 2.1% net increase from FY 2018 adopted budget. The net increase is driven by the personnel and internal service costs. The stop base rate for FY 2019 is \$6,791 but will be subsidized \$806 per stop point using beginning working capital. The reduced stop base rate is \$5,984 and the shop rate is \$85/hour which remains the same as FY 2018. The drivers for the rates are based on usage and customers may see a fluctuation from FY 2018 to FY 2019.

The **Records Management** program maintains, archives, and recycles public records; and provides records management training and consultation. This program is estimated to cost \$1.6 million in FY 2019, a 6.8% increase from FY 2018. The net increase is driven by the personnel and internal service costs.

What to expect for Distribution Fund programs in FY 2019: Distribution Services will continue to use industry best practices to provide increased efficiency and cost savings. Records Management will be driving further adoption of the recently implemented Electronic Records Management System.

County Assets Fleet Fund programs

The **Fleet Services** program acquires, maintains, and manages the County's Fleet of approximately 730 vehicles. This program is estimated to cost \$4.9 million in FY 2019. The total overall change to the County is 1.7% increase over FY 2018. This is relatively

flat due to a reduction in square footage with the lease to City of Gresham. 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 2019.

The **Motor Pool** program provides County-owned shared vehicles for single-trip or short-term use in two County locations and a CarShare program through Enterprise for the Downtown location. This program is expected to cost \$1.0 million in FY 2019. The total overall change to the County is \$200 thousand or 29.8% increase over FY 2018. Primarily due to an increase in Enterprise CarShare program costs related to an increase in usage. This model breaks out fixed costs (overhead) and pass-through charges (usage). The fixed costs are the program's overhead allocated by FY 2017 usage. The pass-through charges are an estimate for actual usage of motor pool, Enterprise CarShare, or Enterprise Rental Car and can fluctuate.

What to expect for Fleet Fund programs in FY 2019: 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 are 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.

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Questions and Contacts

For any questions on your internal services for FY 2019, contact the resources listed for each area, or send an email 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, Zach Gernhardt, Deirdre Mahoney-Clark, Jayde Theobald, Jen Unruh, Becky Zou and Lisa Whedon for their hard work on this year's rates and cost allocation plans.