

Central and Internal Service Charges

Central Service Charge

Central service charges represent central service unit costs (such as Human Resources, Procurement, Accounts Payable, etc.) to be allocated to operating funds and enterprise funds. The full cost allocation is designed for indirect cost allocation from the general fund to various operating funds. The full cost allocation provides for multiple “step downs” that redirect costs allocated to central service units onward to the direct service units.

The organizational structure of the County is analyzed to determine which central service units, or cost pools, provide services to other units. These cost pools become the central service units in the full cost allocation plan. Each cost pool is evaluated to determine the activities or services provided. The costs are then broken into functions such that each activity may be allocated on a statistical measure that is relevant to the service provided and the benefit received.

Available statistical measurements are evaluated to establish the most equitable and meaningful basis for allocation of the central service charges. For example, a function that is driven by the number of employees within a benefiting unit may be allocated by the number of employees. Similarly, a function that is driven by the number of transactions for each benefiting unit may be allocated by the number of transactions. Applicable cost adjustments for unallowable costs and for use charges are incorporated into the appropriate schedules.

Safety & Risk - Internal Service Charges

Safety & Risk – Internal service charges represent risk costs (such as vehicle, property and general liability insurance and self-funded costs) to be allocated to operating funds and enterprise funds. These allocations are performed internally based upon allocation models that are evaluated annually.

Vehicle Insurance

Vehicle insurance is a function of several components - vehicle count, severity and frequency of claims over the past three years and a base cost per vehicle. An experience modification factor is generated for each business unit or agency using claims data and then applied to the number of vehicles per business unit or agency multiplied by the base rate.

Calculation:

$$\text{Vehicle Premium} = (\# \text{ vehicles by type} \times \text{vehicle type modifier}) \times (\text{Business Unit/Agency mod factor} \times \text{base rate by type})$$



Property Insurance

Property insurance is based on the anticipated renewal cost of purchased insurance policies plus anticipated claims not covered by insurance policies. The property insurance policy renewal estimate is determined through staff analysis and broker recommendations and is allocated to individual business unit or agency based on a percentage of square footage to the County's total insurable square footage.

Calculation:

$$\text{Property Premium} = (\text{Business Unit/Agency sq ft} / \text{Total County sq ft}) \times \text{Anticipated Total Property Ins. Cost}$$



General Liability

General liability based on claim frequency over the past three years as well as percentage of total payroll. The current weighting is 30% claims frequency and 70% payroll. Estimated cost is determined by staff analysis of historical claims. The resulting anticipated claims exposure is then allocated based to each business unit or agency on the weighting of the business unit or agency to the County totals.

Calculation:

$$\text{GL Premium} = (\text{Business Unit/Agency \% of Claim Total for prior 3 years} \times .3) \times \text{Anticipated Total GL claims cost} + \text{Business Unit/Agency \% of total payroll} \times (\text{Anticipated Total GL claims cost} \times .7)$$



Miscellaneous Insurance

Miscellaneous insurance includes Public Officials & Employment Practices Liability (EPLI), storage tank liability, law enforcement liability, and aviation liability. Insurance company premiums for these external policies are allocated based on each business unit or agency's percentage of total payrolls, with the exception of law enforcement liability and aviation, which are directly charged to the Sheriff's Office.

Calculation:

$$\text{BC/Agency \% of total payroll} \times \text{Anticipated Total Miscellaneous Insurance Cost}$$

Fleet Services Internal Service Charges

Fleet Services – Internal service charges represent fleet costs (such as vehicle acquisition, maintenance, and fuel) to be allocated to operating funds, agencies and enterprise funds. These allocations are performed internally based upon allocation models that are evaluated annually.

Replacement

The acquisition plan to purchase vehicles is a revolving fund/user charge back rental/lease program. A revolving fund will create a fund balance to offset peak replacement years and



annual expenditures. Monthly fees are based on the capitalized cost of the equipment and the expected life term.

Residuals from the auction sales are retained by the fleet fund.



Maintenance Insurance Program

Maintenance costs are reported by vehicle class for the prior year and maintenance insurance rates are established by class for the succeeding year. A monthly maintenance fee covers all fair, wear and tear repairs regardless of actual expenditure.



Maintenance Direct Charges

Direct charges are classed as repairs not considered "fair wear and tear" such as accidents, misuse, and special option requests. These items are charged directly to the business unit or agency plus labor allocation, time and a mark up on the material or purchased costs.



Fuel

Fuel is purchased from bid contract based on OPIS (Oil Price Information Service) daily average rack pricing. A historical mark up has been established and added to the actual costs and is used to maintain the fuel sites.



Enterprise Information Technology (EIT) Internal Service Charges

Information Technology operates in the same fashion as a commercial business, a business focused on providing technology services to government functions.

Information Technology provides Data Center operations, desktop computers, telephones, application support, and many other technology services.

In 2003, Information Technology worked with the Office of Financial Planning and Clerk of Court Finance team to develop cost accounting practices and arrived at the foundation for a set of cost models for each of its products and services.

The resulting cost models are validated against actual costs (including staff time) annually and revised to reflect any changes in services or delivery approach and finalized for inclusion in each business areas budget.

Each year IT works with the management of the County's core service areas to revise and refine the inventory of products and services they need for the coming year. The combination of inventory and cost yield the IT budget for that core service area.