Board Agenda Item 37

DATE: August 11, 2026

TO: Board of Supervisors

SUBMITTED BY: Mike Kerr, Director of Information Technology/Chief Information Officer

SUBJECT: Second Hearing to Amend Master Schedule of Fees, Charges, and Recovered Costs, Section 4300 - Information Technology Services

RECOMMENDED ACTION(S):

Conduct second hearing and adopt the Master Schedule of Fees, Charges, and Recovered Costs, Section 4300 - Information Technology Services and waive reading of the proposed Ordinance in its entirety.

There is no additional Net County Cost associated with the recommended action. Approval of the recommended action will amend the Master Schedule of Fees, Charges, and Recovered Costs (MSF) Ordinance, Section 4300 - Information Technology Services, based on anticipated FY 2026-27 Information Technology Services Department (ITSD) costs. The proposed rate increases, which range from 5% to 42%, will be used for recovery of costs for certain services and PeopleSoft operations provided to public agencies. The proposed MSF rates also include decreases, ranging from 8% to 63%, due to cost reduction in some areas.

The first hearing was conducted by your Board on July 14, 2026. This item is countywide.

ALTERNATIVE ACTION(S):

Your Board may direct staff not to change the rates, change a portion of the rates, or propose alternative rates; however, these alternatives may not recover the full costs of the services.

FISCAL IMPACT:

There is no increase in Net County Cost associated with the recommended action. Amending the rates for services rendered to public agencies will result in the collection of a portion of the revenues needed to operate two separate Internal Service Funds (ISF) for FY 2026-27 (Fund 1020, Information Technology Services Orgs 8905-8908 and Fund 1030, PeopleSoft Operations Org 8933).

DISCUSSION:

On July 14, 2026, your Board conducted the first hearing to amend MSF Section 4300 - Information Technology Services.

As an ISF, ITSD must recover all operating expenses by charging user departments and public agencies for services ordered and rendered. The recommended amendments to the MSF, if adopted by your Board, would update ITSD’s rates for services provided to public agencies. These rates were established by estimating the annual operating costs of the components of each of the respective services and then dividing those costs by the projected usage of all user departments and public agencies. The rates indicated are for services used by both internal and external customers and make up a portion of the total revenues collected by the ISFs. Attachment A is a summary of the proposed rates with a comparison to the current rates.

ITSD staff calculated the rates using its best estimation of FY 2026-27 costs, resulting in new rates, and increases and decreases to existing rates due to several key factors. The addition of Subsections 4301, 4303, 4306, 4318, 4319, and 4340-4343 are included to capture increased service obligations and related cost elements, and to provide customers with improved transparency into the specific components driving their charges. Increases are primarily driven by adjustments in infrastructure services, software licensing, staffing allocations, and updates to several service metrics used in the rate model. The proposed rates also incorporate reductions based on actual costs incurred in FY 2025-26 and by eliminating or scaling back on certain expenditures including eliminating the Subsections 4309, 4313-4315, and 4330.

The recommended rates, including their calculation and the methodology applied for cost recovery, have been reviewed and approved by the Auditor-Controller/Treasurer-Tax Collector. ITSD has been given recommended instructions for improving the existing rate development methodology, which will be implemented in the FY 2027-28 rate development process.

The summary of the Ordinance amendment was published timely in the Business Journal.

If adopted by your Board, the proposed rates will take effect on September 10, 2026.

<u>REFERENCE MATERIAL:</u>

BAI #7.2, July 14, 2026

<u>ATTACHMENTS INCLUDED AND/OR ON FILE:</u>

Ordinance
Attachment A - Proposed MSF Revisions

<u>CAO ANALYST:</u>

Amy Ryals