Utah Department of Administrative Services

Internal Service Fund Rate Hearings

Fiscal Year 2018

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Rate Committee and Customers,

The mission of the Department of Administrative Services is to deliver support services of the highest quality and best value to government agencies and the public. Our vision is to be the preferred and most trusted provider of products, services, and innovative solutions to meet customer needs.
While the Department provides dozens of services through hundreds of rates, only a handful are proposed to change for FY2016:

- Facilities Construction and Management proposes rate changes for 15 of 180 programs, 13 new programs or scope changes and new rates for billable staff labor costs.

- Fleet proposes four rate adjustments: begin charging the approved amount for leases, remove/reduce certain fees, increase the low volume per gallon fee, and adjust travel fees.

- Purchasing and General Services proposes a new rate structure for State Mail.

- Risk doesn't propose any rate increases, but property and liability premiums will change.

Statute provides that the Department must submit a rate and fee schedule annually to a rate committee comprised of executive directors of state agencies that use services and pay rates to the Department. This rate committee recommends proposed rate and fee schedule changes to the Governor's Office and the State Legislature.

The intention of this packet is to inform both the rate committee members and agency customers as to rate changes proposed by the Department prior to rate committee meetings. Should you have any questions or concerns, please feel free to contact us.

Sincerely,

Ken Hansen
Interim Executive Director

Marilee Richins
Interim Deputy Executive Director

FY2018 Rate Impact Summary

Department of Administrative Services
2018 Rate Impact Summary

CUSTOMER DEPARTMENT		RISK MANAGEMENT		Facilities & Construction Management	GENERAL SERVICES		FLEET OPERATIONS			Total DAS Impact to Customer Department
					State Mail					
#	Name	Liability	Property		Production	Courier	Motor Pool	State Travel	Fuel Network	
011	Senate	$ (900)	$ -	$ -	$ 47	$ 57	$ -	$ 57	$ -	$ (739)
012	House of Representatives	$ (1,700)	$ -	$ -	$ (64)	$ 57	$ -	$ 97	$ -	$ (1,610)
013	Legislative Printing	$ (200)	$ -	$ -	$ 816	$ 57	$ -	$ -	$ -	$ 673
014	Legislative Research & General Counsel	$ (3,400)	$ -	$ -	$ 474	$ 321	$ -	$ (9)	$ -	$ (2,614)
015	Legislative Fiscal Analyst	$ (1,300)	$ -	$ -	$ 40	$ 321	$ -	$ (16)	$ -	$ (955)
016	Legislative Auditor General	$ (1,400)	$ -	$ -	$ 41	$ 321	$ -	$ (5)	$ -	$ (1,043)
020	Judicial Branch	$ (54,200)	$ 100	$ 76,772	$ 5,416	$ 93,021	$ 421	$ (126)	$ -	$ 121,404
030	Capitol Preservation Board	$ (1,800)	$ 600	$ -	$ 22	$ 413	$ -	$ -	$ -	$ (765)
050	State Treasurer	$ (500)	$ -	$ 7,999	$ (510)	$ 227	$ (44)	$ 3	$ -	$ 7,176
060	Governor's Office	$ (29,200)	$ -	$ -	$ 5,516	$ 7,582	$ 1,638	$ 235	$ -	$ (14,229)
065	Utah Science Technology & Research Initiative	$ (500)	$ -	$ -	$ (1)	$ -	$ -	$ 82	$ -	$ (419)
080	Attorney General	$ (18,400)	$ -	$ -	$ 6,792	$ 13,082	$ (1,071)	$ (56)	$ -	$ 348
090	Utah State Auditor	$ (2,600)	$ -	$ -	$ 44	$ 299	$ (87)	$ (12)	$ -	$ (2,356)
100	Dept of Administrative Services	$ (38,900)	$ 8,000	$ (8,423)	$ (71,612)	$ 13,142	$ 995	$ (262)	$ 7,110	$ (89,950)
110	Dept of Technology Services	$ (27,700)	$ 100	$ -	$ 269	$ 598	$ (630)	$ (56)	$ -	$ (27,419)
120	Tax Commission	$ (19,600)	$ -	$ 16,574	$ 199,857	$ 34,487	$ (2,051)	$ (286)	$ 1	$ 228,982
130	Career Service Review Office	$ 300	$ -	$ -	$ 42	$ 32	$ -	$ -	$ -	$ 374
140	Dept of Human Resource Management	$ (8,100)	$ -	$ -	$ 102	$ 406	$ -	$ 23	$ -	$ (7,569)
170	Navajo Trust Administration	$ -	$ 100	$ -	$ (45)	$ 13,082	$ (200)	$ -	$ -	$ 12,937
180	Dept of Public Safety	$ 17,400	$ (100)	$ 73,108	$ (75,910)	$ 41,105	$ (40,834)	$ (103)	$ 1	$ 14,667
190	Utah National Guard	$ (1,500)	$ 3,600	$ -	$ (112)	$ 3,573	$ (1,390)	$ 208	$ 4	$ 4,383
200	Dept of Human Services	$ 58,300	$ 1,700	$ 19,176	$ (59,154)	$ 136,933	$ 11,534	$ (3,359)	$ 154	$ 165,283
270	Dept of Health	$ (17,100)	$ -	$ 154,653	$ (14,283)	$ 12,565	$ 520	$ 222	$ -	$ 136,577
290	Utah Medical Education Council	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
400	Utah State Board of Education	$ (22,500)	$ 100	$ 5,710	$ 6,399	$ 47,517	$ 4,336	$ (385)	$ -	$ 41,177
410	Dept of Corrections	$ (63,000)	$ 6,700	$ 5,040	$ (11,467)	$ 16,698	$ (17,811)	$ 594	$ 61	$ (63,186)
430	Board of Pardons & Parole	$ (1,100)	$ -	$ -	$ -	$ -	$ (261)	$ -	$ -	$ (1,361)
450	Dept of Veterans' & Military Affairs	$ 2,200	$ 1,000	$ -	$ 156	$ 7,413	$ (522)	$ 20	$ -	$ 10,267
480	Dept of Environmental Quality	$ (15,000)	$ 300	$ -	$ 5,527	$ 438	$ (310)	$ (3,516)	$ -	$ (12,560)
540	School & Institutional Trust Fund Office	$ 600	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 600
550	School & Institutional Trust Lands Admin	$ 16,700	$ -	$ -	$ 1,642	$ 483	$ (693)	$ 101	$ -	$ 18,233
560	Dept of Natural Resources	$ 64,200	$ 3,600	$ -	$ 478	$ 5,234	$ (15,327)	$ 469	$ 4,789	$ 63,443
570	Dept of Agriculture & Food	$ 800	$ -	$ -	$ (268)	$ 563	$ 884	$ 119	$ 10	$ 2,108
590	Public Lands Policy Coordination Office	$ (3,100)	$ -	$ -	$ -	$ -	$ -	$ 32	$ -	$ (3,068)
600	Dept of Workforce Services	$ 56,500	$ -	$ 29,286	$ (103,802)	$ 71,869	$ (1,407)	$ (419)	$ -	$ 52,027
650	Dept of Alcoholic Beverage Control	$ (9,600)	$ -	$ 321,536	$ (1,391)	$ 966	$ (523)	$ 15	$ -	$ 311,004
660	Labor Commission	$ (4,100)	$ -	$ -	$ 5,050	$ 259	$ 913	$ 30	$ -	$ 2,152
670	Dept of Commerce	$ (10,200)	$ -	$ -	$ (33,942)	$ 436	$ 208	$ 98	$ -	$ (43,400)
680	Dept of Financial Institutions	$ (1,200)	$ -	$ -	$ 6	$ 966	$ -	$ 309	$ -	$ 81
690	Dept of Insurance	$ (47,700)	$ -	$ -	$ (238)	$ 32	$ (793)	$ 133	$ -	$ (48,566)
700	Public Service Commission	$ (1,500)	$ -	$ 586	$ (21)	$ -	$ -	$ 32	$ -	$ (903)
710	Dept of Heritage & Arts	$ (4,300)	$ 100	$ -	$ 2,474	$ 2,121	$ 732	$ 171	$ 6	$ 1,304
810	Dept of Transportation	$ 55,000	$ 27,800	$ 6,309	$ 2,690	$ 28,095	$ (37,041)	$ (286)	$ 30,572	$ 113,139
	UCAN	$ (1,300)	$ (100)	$ -	$ -	$ -	$ -	$ -	$ 11	$ (1,389)
	Charter Schools	$ 27,500	$ (100)	$ -	$ -	$ -	$ -	$ -	$ -	$ 27,400
	Higher Ed	$ (454,100)	$ 38,500	$ 174,724	$ 53,782	$ 2,540	$ (73,712)	$ 350	$ 4,846	$ (253,069)
	School Districts	$ 638,900	$ 28,400	$ -	$ -	$ 2,415	$ -	$ 1,939	$ 12,062	$ 683,716
	Heber Valley Railroad	$ -	$ 200	$ -	$ -	$ -	$ -	$ -	$ -	$ 200
	Utah State Fairpark	$ 4,800	$ 1,600	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,400
	Other	$ -	$ -	$ -	$ 45,076	$ 109,137	$ -	$ 1,619	$ 22,718	$ 178,550
	Total by Charging Agency	**$ 75,500**	**$ 122,200**	**$ 883,052**	**$ (30,062)**	**$ 668,863**	**$ (172,526)**	**$ (1,934)**	**$ 82,344**	**$ 1,627,437**

Agenda

State of Utah
Interim Executive Director

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Administrative Services

KENNETH A. HANSEN
Interim Executive Director

MARILEE P. RICHINS
Interim Deputy Director

Agenda

DAS FY'18 Internal Service Fund Rate Review Committee Meeting

DATE: Tuesday, September 6, 2016
TIME: 8:30 a.m.
PLACE: State Capitol Building, Room #445

I. Committee Business:

a. Welcome – Ken Hansen, Interim Executive Director, Department of Administrative Services (DAS)
b. Selection of a Committee Chairperson
c. Open and Public Meetings Act Training – Paul Tonks, Attorney General's Office
d. Approval of minutes of September 1, 2015
e. Overview of Rate Committee Responsibilities

II. Presentation by DAS Internal Service Funds

a. Facilities Construction and Management, Facilities Management - Ken Hansen, DAS Interim Executive Director and Eric Tholen, Division Director
    i. Presentation
    ii. Discussion
        1. Committee
        2. Public
    iii. Action Items – Consider approval of FY'18 Rates and Rate Changes

b. Fleet Operations – Ken Hansen, DAS Interim Executive Director and Jeff Mottishaw, Division Director
    - Motor Pool program
    - Fuel Network program
    - Travel program
    i. Presentation
    ii. Discussion
        1. Committee
        2. Public
    iii. Action Items – Consider approval of FY'18 Rates and Rate Changes

c. Purchasing and General Services – Ken Hansen, DAS Interim Executive Director and Kent Beers, Division Director
   - Cooperative Contracts program
   - State and Federal Surplus Property programs
   - Print Services program
   - State Mail and Distribution Services program
     i. Presentation
     ii. Discussion
        1. Committee
        2. Public
     iii. Action Items – Consider approval of FY'18 Rates and Rate Changes

d. Risk Management – Ken Hansen, DAS Interim Executive Director and Tani Downing, Division Director
   - Liability Insurance program
   - Property Insurance program
   - Auto Insurance program
   - Workers Compensation program
     i. Presentation
     ii. Discussion
        1. Committee
        2. Public
     iii. Action Items – Consider approval of FY'18 Rates and Rate Changes

e. Finance – Ken Hansen, DAS Interim Executive Director and John Reidhead, Division Director
   - Consolidated Budget and Accounting program
   - Purchasing Card program
     i. Presentation
     ii. Discussion
        1. Committee
        2. Public
     iii. Action Items – Consider approval of FY'18 Rates and Rate Changes

Subsequent Meetings (if necessary)
Tuesday, September 13, State Capitol Room #445, 8:30 a.m.
Tuesday, September 20, State Capitol Room #445, 8:30 a.m.

COMMITTEE MEMBERS

LuAnn Adams, Executive Director, Department of Agriculture and Food
Becky Bradshaw, Comptroller, Department of Transportation
Mark Brasher, Deputy Director, Department of Human Services
Joseph Brown, Division Director, Department of Public Safety
Barry Conover, Executive Director, Tax Commission
Matt Lund, Budget and Policy Economist, Governor's Office of Management and Budget
Sal Petilos, Executive Director, Department of Alcoholic Beverage Control

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Department of Administrative Services

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Interim Executive Director

MARILEE P. RICHINS
Interim Deputy Director

AGENDA

DAS FY'18 ISF Rate Review Committee Meeting #2 (If Needed)

DATE: Tuesday, September 13, 2016
TIME: 8:30 a.m.
PLACE: State Capitol Building, Room #445

I. Committee Business:

a. Welcome – Ken Hansen, Interim Executive Director, Department of Administrative Services (DAS)
b. Approval of minutes of September 6, 2016

II. Follow up presentations by DAS Internal Service Funds (as needed)

a. Facilities Construction and Management, Facilities Management, Fleet Operations, Purchasing and General Services, Risk Management, and Finance - Ken Hansen, DAS Interim Executive Director and Division Directors
   i. Follow up presentation
   ii. Discussion
      1. Committee
      2. Public
   iii. Action Items – Consider approval of FY'18 Rates and Rate Changes

Subsequent Meeting (if necessary)
Tuesday, September 20, State Capitol Room #445, 8:30 a.m.

<u>COMMITTEE MEMBERS</u>

LuAnn Adams, Executive Director, Department of Agriculture and Food
Becky Bradshaw, Comptroller, Department of Transportation
Mark Brasher, Deputy Director, Department of Human Services
Joseph Brown, Division Director, Department of Public Safety
Barry Conover, Executive Director, Tax Commission
Matt Lund, Budget and Policy Economist, Governor's Office of Management and Budget
Sal Petilos, Executive Director, Department of Alcoholic Beverage Control

State of Utah
Interim Executive Director

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Administrative Services

KENNETH A. HANSEN
Interim Executive Director

MARILEE P. RICHINS
Interim Deputy Director

AGENDA

DAS FY'18 ISF Rate Review Committee Meeting #3 (If Needed)

DATE: Tuesday, September 20, 2016
TIME: 8:30 a.m.
PLACE: State Capitol Building, Room #445

I. Committee Business:

a. Welcome – Ken Hansen, Interim Executive Director, Department of Administrative Services (DAS)
b. Approval of minutes of September 13, 2016

II. Follow up presentations by DAS Internal Service Funds (as needed)

a. Facilities Construction and Management, Facilities Management, Fleet Operations, Purchasing and General Services, Risk Management, and Finance - Ken Hansen, DAS Interim Executive Director and Division Directors
   i. Follow up presentation
   ii. Discussion
      1. Committee
      2. Public
   iii. Action Items – Consider approval of FY'18 Rates and Rate Changes

COMMITTEE MEMBERS

LuAnn Adams, Executive Director, Department of Agriculture and Food
Becky Bradshaw, Comptroller, Department of Transportation
Mark Brasher, Deputy Director, Department of Human Services
Joseph Brown, Division Director, Department of Public Safety
Barry Conover, Executive Director, Tax Commission
Matt Lund, Budget and Policy Economist, Governor's Office of Management and Budget
Sal Petilos, Executive Director, Department of Alcoholic Beverage Control

FY2017 ISF Rate Review Committee Meeting Minutes

(Draft, waiting formal approval)

Department of Administrative Services
Internal Service Fund Rate Review Committee Meeting

September 1, 2015

State Capitol Building, Room 250

350 North State Street, Salt Lake City, UT 84114

Committee Members Present:

Francine Giani – Board Chair, Department of Commerce
Kim Hood – Executive Director, Department of Administrative Services
Matthew Lund – Governor's Office of Management & Budget
John Reidhead – Director, Division of Finance
Mark VanOrden – CIO Dept. of Technology Services
Dennis Carver – Division of Natural Resources
Linda Hull – Department of Transportation (for Becky Bradshaw)

Note: An audio recording of the meeting can be found on the Public Notice Website.

1. Business:

Kim Hood welcomed everyone to the hearing and turned the meeting over to Francine Gianni, the Board Chair.

Ms. Giani turned the time over to Ken Hansen the DAS Deputy Director to present the Open and Public Meeting training.

Mr. Hansen reviewed the Open and Public Meetings Act Training. (Handout on the training is available on the Public Notice Website.)

He explained that the DAS Rate Committee is subject to the Open and Public Meetings Act. The Statute requires that there is an annual training of the Open and Public Meetings Act for Boards and Committees. He briefly reviewed the handout provided.

The committee members reviewed the minutes from the meeting held on October 7, 2014. Mark VanOrden moved to approve the minutes, John Reidhead seconded the motion, motion passed.

2. Presentation by DAS Internal Service Funds, Ken Hansen, DAS Deputy Director

Ken Hansen presented the rate proposals for the Department of Administrative Services for fiscal year 2017. DAS vision is to be the preferred and most trusted provider of services and innovative solutions for state agencies. Five of the DAS Divisions' 12 general programs will be discussed.

They will review the approved rates from FY 2016 and the proposed rates for FY 2017 if changes are being requested, along with the financial statements.

3. DFCM

Jake Jacobson the maintenance and operational manager for DFCM joined Ken Hansen to review DFCM's rates.

Facility management provides building management services to state agencies. They provide maintenance and management services to more than 173 state-owned and leased buildings.

DFCM had $29 million adjusted revenue in 2015. There are 134 authorized FTE's and 114 current FTE's. They manage over 6.8 million square feet of space.

DFCM is proposing rate changes to 19 of their 173 programs. The programs for the rate changes are detailed in the packet. These are adjustments to correct the rates for these buildings.

DFCM is proposing several adjustments to other rates. These adjustments deal with scope changes in the services being provided.

DFCM is recommending that labor rates (garage rates) be establish so they are able to respond to customer requests.

Dennis Carver complemented DFCM on their retained earnings and keeping costs low.

Francine Giani asked if there were any other questions or statements from the committee

John Reidhead asked about why these rates have not been on a rate schedule.

Jake Jacobson said that DFCM has several agreements that are billed on a quarterly basis. The garage rates allow them to bill for services outside the normal scope of their agreements and bill for their time spent on these orders. They have done this in the past, but didn't have those rates on the rate schedule.

There were no questions from the public.

Dennis Carver made a motion to approve the proposed FY 17 rate changes. Mark VanOrden seconded the motion. The committee voted and the motion passed unanimously.

4. <u>Purchasing & General Services</u>

Ken Hansen and Kent Beers presented the four Internal Service Funds for Purchasing and General Services. They are: Cooperative Contracts; State/Federal Surplus; Print Services; and State Mail.

a) Cooperative Contracts.

The State has over 750 Cooperative Contracts, and there is $1.9 billion in usage. The contracts are used by Counties, Cities, State Agencies, School Districts, Higher Ed. and Special Service Distracts. The current rate structure allows for Purchasing to charge an administrative contract fee up to 1.0%, and the current average fee is 0.4%. The administrative fee is lowered 50% when a contract is renewed.

There is a current retained earnings balance is $2,471,162.07, it will be reduced by $1.5 million for the new eProcurement system. The retained earnings will be further reduced by $400,000 for FY17 for maintenance on the new system.

Mark VanOrden asked for an explanation about the eProcurement system.

Kent Beers the Director of State Purchasing explained that this system will replace purchasing's current system BidSync. The BidSync contract is due to expire. The new system is SyQuest and the vendor was awarded the contract through a procurement done by WSCA. The system will be paid for through the administrative fees that are collected on the use of statewide contracts.

Ms. Giani asked if the $400,000 would be a yearly fee for maintenance.

Mr. Beers responded yes, that this is an estimate of the usage on the system and the annual cost. It will be paid for by administrative fees collected when an agency or political subdivision uses it for a procurement.

b) State/Federal Surplus

State Surplus saved Law Enforcement Agencies of Utah $1,040,568, through the 1033 program. They also saved governmental agencies $1,057,691 through the Federal Donation Program, and implemented the disposal of non-vehicle items required by S.B. 122.

Surplus Property is recommending no changes to the existing rates. Surplus is recommending a new proposed rate based on the passage of SB122.

In the past Surplus retained 100% of non-vehicle item sales. Surplus is proposing a rate change when agencies surplus non-vehicle items online and keep these items at their location. Surplus will retain only 50% of the amount received from that purchase. The 50% that Surplus retains will be used to conduct online auctions.

c) Print Services

Mr. Hansen reviewed the services provided through the State Copy Center and through Digital Print Services. Purchasing has worked under the direction of the Governor in cooperation with UCI to direct print jobs that do not contain personal or sensitive date to the Utah Correctional Industries.

Print Services is not proposing any changes to their current rates.

d) State Mail

Mr. Hansen reviewed the volume of the work State Mail does for sorting, inserting and metering mail. Through State Mail the state obtains US Postal Services discounts and savings through state mail agencies vendor contracts. The majority of the savings come from the sorting machine and the optical character recognition machine. Over the last couple of years there has been a decline in volume in the sorting machine. The savings decline was 7% between FY 2013 and FY 2014, and an 18% decline between FY 2014 and FY 2015. The decline is due to lower volumes of mail being processed by State Mail.

The Division is not proposing any changes to the current state mail rates.

Mark VanOrden asked if State Mail was able to retain staff level with the decrease in postage.

Kent Beers explained that the number of FTE's is declining. As the volumes drop they are not replacing staff. They are looking at stopping some delivery routes that are not paying their way. This may help the decline in retained earnings and income.

Ms Giani asked if there were any questions or comments.

Dennis Carver made a positive comment about SB122. He said it helped alleviate some of the administrative pressure on surplus and he appreciates that.

No public comments.

John Reidhead moved to approve the proposed FY 17 rate changes for the Division of Purchasing and General Services as presented.

5. Risk Management

Tani Downing the Director of Risk Management joined Ken Hansen to discuss Risk Managements rates.

Risk Management provides liability, property, & auto coverage for state agencies, state-owned colleges and universities, 41 school districts, and 64 charter schools.

They insure $33 billion in buildings, contents, and vehicles. The total impact of all requested Risk rates will be decreased by $337,000.

Risk Management is proposing a number of rate changes. They are as follows:

a) Specialized Lines of Coverage

This will allow for specialized lines of insurance outside of what is usually covered. It will pass the vendor costs on to the agency that needs the services, and there will be no administrative expense.

b) Non-Compliance Penalty (in place of the 15% discount)

The Legislature funds agencies 85% of the total costs for insurance coverage. They are proposing a penalty of up to 15% for insured groups that do not complete loss prevention measures. The result is the same as the past discount program.

c) Liability Coverage

The rates are determined by an actuary from a national consulting firm. Liability premiums will increase in total by $469,000 in FY 17. This is determined by inflation, population, total lane miles, student counts, and budgets as well as increased claims. Charter School rates will be reduced from $10.00 per student, to $8.00 per student.

Ms. Giani asked why the charter school rate was being reduced.

Tani Downing explained that the actuary looked at charter schools and what was projected was conservative, and Risk ended up collecting too much money for the charter school liability. Charter school losses have not materialized like the actuary thought they would.

Dennis Carver asked what the difference was between reserved funds and retained earnings. Do most insurance companies have reserved funds that are used to cover unanticipated losses.

Ms. Downing stated that the actuary looks at a regular insurance company's losses, and allows them to keep a certain percentage for large losses. If the retained earnings rise over time in actual dollars, they will look at reducing the rate.

Stephen Hewlett explained that the actuary gives Risk a liability number which is recorded on the balance sheet and is the amount Risk needs to have in the bank to cover liabilities that are current and those projected as incurred but not yet reported. The retained earnings are the results of operations and are separate from the "reserves" related to claims liabilities. The reserves are to cover claims that continue to have costs. There are approximately $40 million in claims that continue to have costs.

Risk's adjusters, with their assistant attorney general go through all claims over $25,000 each year before their audit takes place, to help ensure the reserves are accurate.

d) Property

Valuation and square footage changes will affect the amount of premiums collected for all state agencies with property coverage. An increase in total valuation is due to more accurate reporting from insured agencies and new construction.

Risk Management has worked closely with Division of Facilities Construction and Management to make sure coverage levels are appropriate for all state buildings.

There are no proposed rate changes for property, but the overall premiums will increase by $984,000, this is to account for changes in valuations and attributes as customers reviewed their properties that are being covered.

Tani Downing reviewed and explained the increase in the amount of retained earnings. She said that in FY15 it was a low year in claims for property loss. They received a rebate for $1 million from their excess carrier for closing out 3 past years of claims. There is only one year of claims open now. It was abnormal for FY 15 property retained earnings to go up as high as it did, and they don't expect it to continue.

The past years they only billed agencies what was appropriated and not the value of what the building should have been. The increase in premiums will get the value of the buildings funded.

e) Auto Claims

There was a slight decrease in 2015 of auto claims, but the trend is still going up.

There are no proposed rate changes for vehicle premiums. There is no proposed deductible change on non-preventable claims. They are recommending a deductible increase from $750 to $1,500 per preventable claims or unknown cause claims. There will be discounts available on deductible for preventable claims that bring the deductible back to $750, when the agency is in compliance with loss prevention measures, and is following the current Risk and Fleet rules.

There were no questions or comments on auto claims.

f) Worker’s Compensation

The Workers Compensation program pays the cost of workers compensation insurance premiums for state employees paid to the Workers Compensation Fund of Utah. The worker’s compensation rates are 1.41% per $100 for UDOT, and 0.88% per $100 in wages for the other state agencies. There is also a $2,200 charge per aviation pilot per year.

They are proposing to reduce the rates from $1.41 to $1.25 for UDOT employees per $100 in wages, and $0.88 to $0.70 for all other state agencies per $100 in wages. The proposed rate changes will save agencies $1.79 million overall for FY2017.

Ms. Giani asked if there were any questions or comments.

Dennis Carver asked how they determine if an accident is preventable, and how will it be funded.

Ms. Downing stated that it will be funded through the agencies budget because it’s a rate not a deductible. Preventable accidents are usually determined by the police report.

Mr. Carver asked how they how they will determine if they are compliant for the deductible on preventable accidents.

Ms. Downing stated if the rate passes they will work with the agencies to come up with a process for FY 17.

Mr. Carver feels that the increase in the proposed rate is too large and would recommend the taking the proposed increase for preventable claims from $1,500 to $1,000.

Ken Hansen explained if an agency is following the current Risk or Fleet rule there shouldn’t be a change in the amount of the deductible for the agency.

Stephen Hewlett said that 70% of automobile accidents are single vehicle accidents. They will take what Dennis Carver has said, and take his recommendation of lowering the amount to $1,000 into consideration.

John Reidhead asked about the lower rates for Workers Compensation, and if they were reducing them enough.

Steve Hewlett said they are looking at reducing the Workers Compensation rates for the current year. This decision has not been decided yet.

Tani Downing explained that their workers comp claims have gone down. The rate is there, but they have not had the claims so they have been collecting too much money, and they want to reduce the amount they collect.

There were no other questions from the committee or the public.

Francine Giani asked for a vote to approve the Division of Risk Management’s FY17 proposed rate changes.

Kim Hood made the motion to approve Risk Managements proposed rates. Francine Giani seconded the motion. A vote was taken and the motion passed unanimously.

6. **Fleet Operations**

Ken Hansen and Jeff Mottishaw the Director of Fleet Operations presented Fleet's three programs: Motor Pool, Fuel Network, and State Travel.

a) Motor Pool

There are 7,333 vehicles in the state fleet, 4,489 are in Fleet Operations. The Vehicle Services Center Pilot is seeing a savings of 15-20% on maintenance. Labor times are tracked to predict future labor costs. The Fuel Costs as a pass through to agencies became effective on July 1, 2015.

There are no proposed rates to the Motor Pool lease rates.

Dennis Carver asked the committee to review the Motor Pool's income Proforma Financial Statement on page 92 of their binders. Motor Pool shows $3 million in net income in 2015, and $2 million in 2016, then there is a drop in income. He feels revenue should be down after 2015, because fuel was taken out of the rates, and also expenses should be down as it relates to fuel.

Jeff Mottishaw explained that in the Payments for Capital Assets on the Proforma Financial Statement on page 92 for 2015, there is approximately $11 million in purchases for vehicles, under what was allowed of the $16 million. Halfway through 2015 a decision was made to push the replacement mileage out temporarily to 120,000, which reduced the purchase of the vehicles significantly by about $8 million, which is partially reflected in net income due to reduced depreciation.

Motor Pool is approved for $16 million for FY16. For FY17 to make up the difference from pushing the replacement mileage out temporarily they had to request almost $30 million in capital assets. The large spike is temporary as they make up for not purchasing those vehicles, as they catch up they will go from a large positive to losing money. This is directly related to vehicle purchases.

Dennis Carver said the revenue is flat and it should be going down because the fuel was taken out of Fleet and the costs went directly to the departments. Dennis believes the revenue numbers are overstated and the expense numbers are understated, and the depreciation is also overstated for their forecast.

Mark Yeschick from the CBA stated on the Performa Financial Statement for FY16, there is a $1.5 million dollar drop in revenues directly related to the fuel pass through.

b) Fuel Network

There are 40,000 vehicles of state and local governments that participate in the Fuel Network. There was over 18 million gallons dispensed through the network. The fuel network has 450 tanks statewide, and seven CNG fueling sites.

For fuel network there are no proposed rate changes for current rates.

There were no questions or comments about the Fuel Network.

c) State Travel

The State Travel Office provides business travel services for the state and local governments.

The retained earnings for travel are projected to go negative, but the rates are not changing because Fleet expects the new travel card rebates to be approximately 3 times the current rebates.

There are no proposed rate changes for State Travel.

The new travel credit card pilot will start in DAS and the Dept. of Insurance. The change is going from an individual liability travel card to a corporate liability travel card. There will be some changes in the way reimbursements are processed; they will be submitted like a purchasing card.

There were no other questions for State Travel.

There were no public comments.

Ms. Giani asked for a vote for the proposed rate changes for Fleet Operations.

Dennis Carver moved to approve the proposed rates for Fleet Operations. Kim Hood seconded the motion. A vote was taken and passed unanimously.

7. <u>Division of Finance</u>

Rick Beckstead from the Division of Finance joined Ken Hansen to discuss the Purchasing Card and the Consolidated Budget & Accounting group.

a) Purchasing Card

The purchasing card is a cost-effective method for purchasing and for payments. In FY15 the p-card usage was $26.6 million, and the net rebate to state agencies was $310,001. The incentives for the WSCA contract with US Bank that was effective on Oct. 1, 2014, were volume sales, prompt payments, and annual volume bonus.

b) Consolidated Budget & Accounting (CBA)

The CBA group was formed in May 2011 to centralize DAS budget and accounting functions. It has operated as an Internal Service Fund since 2013. Personnel expenses will increase in FY16 by approximately $80,000 because of a cost of living and market comparability adjustments. The CBA also provides services to the Judicial Conduct Commission and the Medicaid Inspector General.

They are proposing an increase from $34-$36 per hour for basic accounting and transactions, and an increase from $60-$65 per hour for financial management.

There were no questions or comments from the committee or the public on the purchasing card or the CBA.

Ms. Giani asked the committee for action for the proposed rates

Dennis Carver made a motion to approve the proposed rates for Finance. Mark VanOrden seconded the motion, the motion passed unanimously.

That concluded the Department of Administrative Service Internal Service Fund Rate Review Committee Meeting. The meeting was adjourned.

There were no future meetings needed, because all DAS FY17 ISF rate changes were approved at the Sept. 1, meeting.

Division of Facilities Construction and Management

Facilities Construction and Management

Utah Department of Administrative Services

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Program Efficiencies

The Division of Facilities Construction and Management (DFCM) provides building management service to state agency subscribers. Service includes preventative and corrective maintenance, grounds care, energy management, contract management and accounting services.

- Provided maintenance and management services to over 180 state-owned and leased buildings
- $30 million FY2017 adjusted revenue
- 134 Authorized FTEs
  112 Current FTEs
- Manage over 7 million square feet of space

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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Program Efficiencies

DFCM's focus is on efficient building operation

Average operations and maintenance costs:
25% below local average
48% below national average

Statewide service through regionalized management groups

Diverse portfolio including office space, courthouses, laboratories, retail, warehouse, and veterans assisted living

Combination of internal staff and private sector resources to provide cost-effective services

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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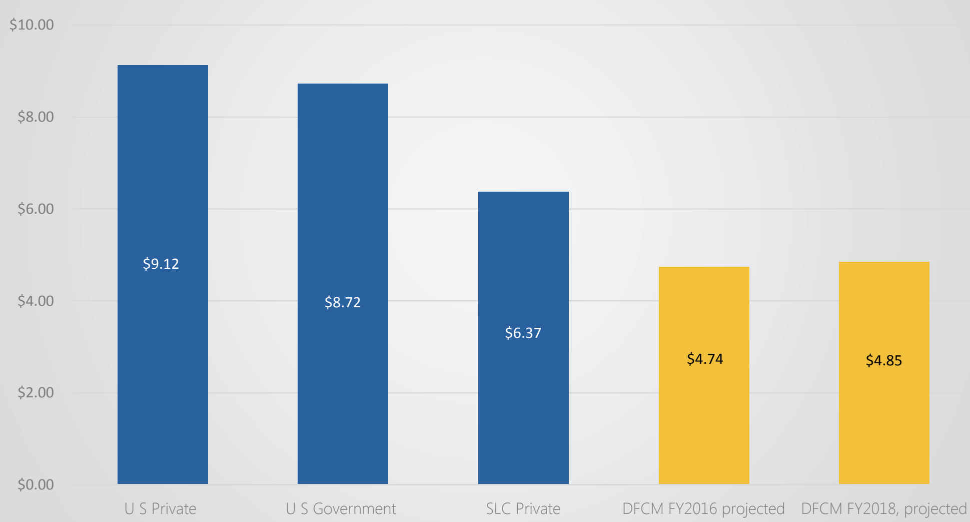
Cost Per Square Foot



Based on BOMA calendar year 2015 information

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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Facilities Management Rates

FY2018 Request – Rate adjustments for the following 15 programs:

Program	Increase (Decrease)	Reason
1331 Dixie Drivers License	$ 12,628	Deficit reduction
1336 Cedar City AP&P	$ 5,040	Deficit reduction
1355 DWS Provo	$ 17,290	Deficit reduction
1374 DPS Price	$ 27,217	Deficit reduction
1413 Unified Lab	$ 94,031	Deficit reduction
1451 West Jordan Courts	$ 70,039	Deficit reduction
1459 DPS/Drivers License	$ 31,513	Deficit reduction
1462 UCAT Administration	$ 15,002	Deficit reduction
1594 DHS Vernal	$ 13,892	Deficit reduction
1617 Fairpark DMV	$ 18,134	Deficit reduction
1621 1090 W Regional Center	$ 34,921	Deficit reduction
1647 Family Health	$ 48,064	Deficit reduction
1758 Brigham City Regional Center	$ 161,749	Deficit reduction
1762 DWS Brigham City	$ 11,996	Deficit reduction
ABC Retail (45 Locations)	$ 321,536	Deficit reduction
Total	$ 883,052	

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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Facilities Management Rates

FY2017 Authorized – New programs or scope changes:

Program	Increase (Decrease)	Reason
1303 Vernal Regional Center	($ 28,821)	DPS moved out
1315 Richfield Court	$ 2,381	Scope change
1337 Cedar City DNR	$ 62,790	New location
1338 Ivins VA Nursing Home	$ 83,064	New location
1344 Wasatch Courts	($ 5,028)	MOU change
1378 Spanish Fork Vet Lab	$ 35,716	New location
1383 Payson VA Nursing Home	$ 79,106	New location
1412 Unified Lab Module #2	$ 432,918	New location
1568 ICAP Building	($ 14,517)	Courts moved out
1588 Vernal Drivers License	$ 18,250	New location
1610 Tax Commission	$ 42,000	Scope change
1727 Clearfield Warehouse C7	$ 20,677	Scope change
1731 Ogden VA Nursing Home	$ 52,945	New location
Total	$ 781,481	

Utah Department of Administrative Services

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Facilities Management Labor (Garage) Rates

FY2018 Request – Garage rate adjustments

Labor	FY2017	FY2018	Increase (Decrease)
Administrative Staff	$41.21	$47.43	15.09%
Electronics Resource Group	$41.85	$43.57	4.11%
Facilities Manager	$51.72	$53.61	3.65%
Maintenance Supervisor	$46.83	$47.54	1.52%
Office Technician	$35.45	$36.84	3.92%
Apprentice Maintenance	$38.29	$40.29	5.22%
Journey Maintenance	$43.16	$45.09	4.47%
Journey Electrician	$49.15	$50.11	1.95%
Journey HVAC	$46.44	$48.25	3.90%
Grounds Manager	$37.51	$37.76	0.67%
Grounds Supervisor	$34.03	$36.24	6.49%
Mechanics	$37.58	$38.01	1.14%
Groundskeeper	$31.38	$32.07	2.20%
Temp Groundskeeper	$18.17	$18.20	0.17%

Utah Department of Administrative Services

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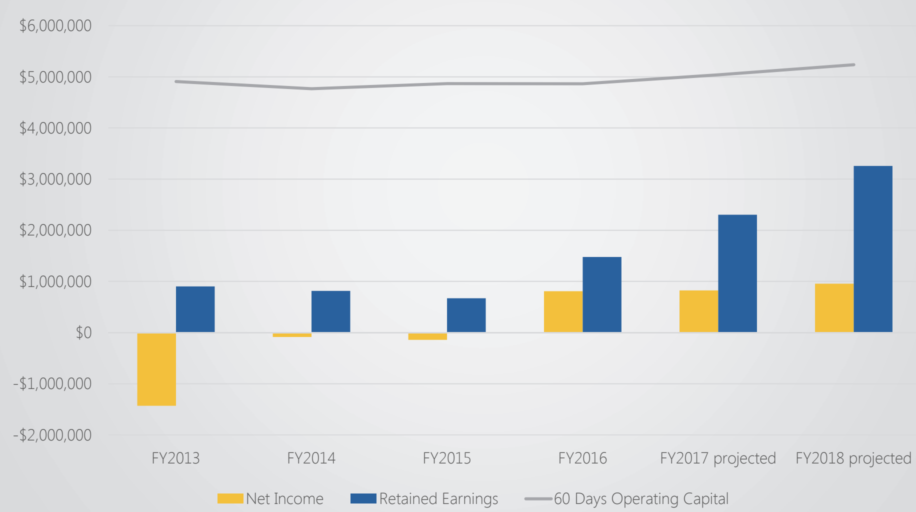
Facilities Maintenance Retained Earnings



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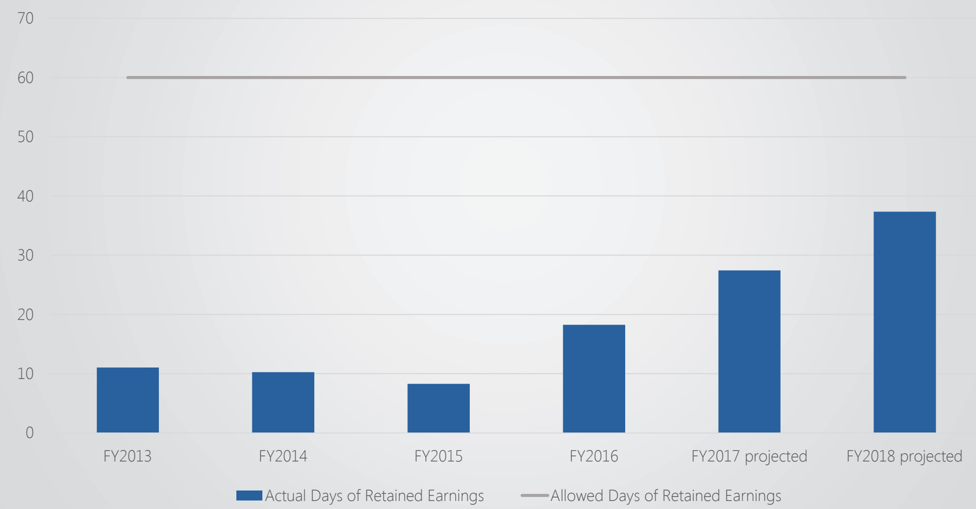
Facilities Maintenance Retained Earnings (Days)



UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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Facilities Construction and Management Rate Committee Action

Requested Actions

Action	Slide Number	Amount
Rate adjustments for 15 programs	11	$883,052
Thirteen new programs or scope changes	12	$781,481
Labor (garage) rate adjustments	13	Varying
Approve all other existing rates		

School bus rate (per vehicle)	200.00
School district rate for value less than $35,000 (per vehicle)	50.00
Rate for value more than $35,000 (per $100 of value)	0.80
Other vehicles or related equipment	
State and Higher Education (per vehicle)	75.00
School District (per vehicle)	50.00
Standard deductible (per incident)	1,500.00
Up to this amount with discounts available for compliance with specifically identified Risk Management loss control activities.	
Workers Compensation Rates	
UDOT	1.25% per $100 wages
State Agencies	0.70% (except UDOT)
Aviation (per PILOT-YEAR)	$2,200
Course of Construction Premiums	
Rate per $100 of value	0.053
Charged for half of a year	
Charter Schools	
Liability ($2 million coverage)	
Charter School Pre-opening Liability Coverage (per School)	1,000.00
$1,000 minimum (per student)	8.00
Property ($1,000 deductible per occurrence)	
Cost per $100 in value, $100 minimum	0.10
Comprehensive/Collision ($500 deductible per occurrence)	
Cost per year per vehicle	150.00
Employee Dishonesty Bond (per year)	250.00
DIVISION OF FACILITIES CONSTRUCTION AND MANAGEMENT - FACILITIES MANAGEMENT	
Alcoholic Beverage Control Stores	1,286,145.20
Price Public Safety	38,680.00
Ogden Juvenile Court - New	444,038.00
Garage-Administrative Staff	42.00
Garage - Apprentice Maintenance	39.00
Garage-Electronic Resource	42.00
Garage-Facilities Manager	52.00
Garage-Groundskeeper II	32.00
Garage - Grounds Manager	38.00
Garage-Grounds Supervisor	34.00
Garage-Journey Electrician	50.00

Garage-Journey HVAC	47.00
Garage-Journey Maintenance	44.00
Garage-Maintenance Supervisor	47.00
Garage-Mechanic	38.00
Garage-Office Technician	36.00
Garage-Temp Groundskeeper	19.00
Wasatch Courts	14,605.44
Chase Home	17,428.00
ICAP Building	26,986.00
Vernal DNR	80,394.00
Clearfield Warehouse C6 - Archives	167,010.00
Clearfield Warehouse C7 - DNR/DPS	82,160.00
Cedar City A P & P	23,404.00
N UT Fire Dispatch Center	30,438.66
UCAT Admin	32,880.00
Veteran's Memorial Cemetery	24,464.00
Alcoholic Beverage Control Administration	685,415.00
Juab County Court	50,826.00
Agriculture	356,706.00
Adult Probation and Parole Freemont Office Building	192,375.00
Archives	110,619.00
Brigham City Court	169,400.00
Brigham City Regional Center	412,059.00
Calvin Rampton Complex	1,602,863.00
Cannon Health	960,515.00
Capitol Hill Complex	3,809,700.00
Cedar City Courts	103,520.00
Cedar City Regional Center	72,008.00
Department of Administrative Services Surplus Property	59,747.00
Department of Public Safety	
DPS Crime Lab	42,000.00
Drivers License	154,064.00
Farmington Public Safety	68,425.00
Division of Motor Vehicles Fairpark	43,437.00
Dixie Drivers License	50,300.00
Driver License West Valley	98,880.00
Division of Services for the Blind and Visually Impaired Training Housing	49,736.00

Farmington 2nd District Courts	537,465.00
Glendinning Fine Arts Center	45,000.00
Governor's Residence	152,156.00
Heber M. Wells	858,321.00
Highland Regional Center	331,766.40
Human Services	
Clearfield East	127,306.00
Ogden Academy Square	299,834.00
Vernal	60,225.00
Layton Court	80,896.00
Logan 1st District Court	379,267.00
Medical Drive Complex	331,230.00
Moab Regional Center	112,533.00
Murray Highway Patrol	141,738.00
National Guard Armories	390,721.00
Natural Resources	745,072.00
Natural Resources Price	96,414.00
Natural Resources Richfield (Forestry)	1,000.00
Navajo Trust Fund Administration	132,640.00
Office of Rehabilitation Services	204,156.00
Ogden Court	467,740.00
Ogden Juvenile Court-Old	166,045.00
Ogden Regional Center	646,299.00
Orem Circuit Court	90,792.00
Orem Public Safety	105,640.00
Orem Region Three Department of Transportation	141,192.00
Provo Court	299,400.00
Provo Juvenile Courts	173,940.00
Provo Regional Center	664,011.00
Public Safety Depot Ogden	27,236.00
Richfield Court	82,289.00
Richfield Dept. of Technology Services Center	39,000.00
Richfield Regional Center	75,499.00
Rio Grande Depot	397,565.00
Salt Lake Court	1,868,160.00
Salt Lake Government Building #1	972,934.00
Salt Lake Regional Center - 1950 West	215,571.00

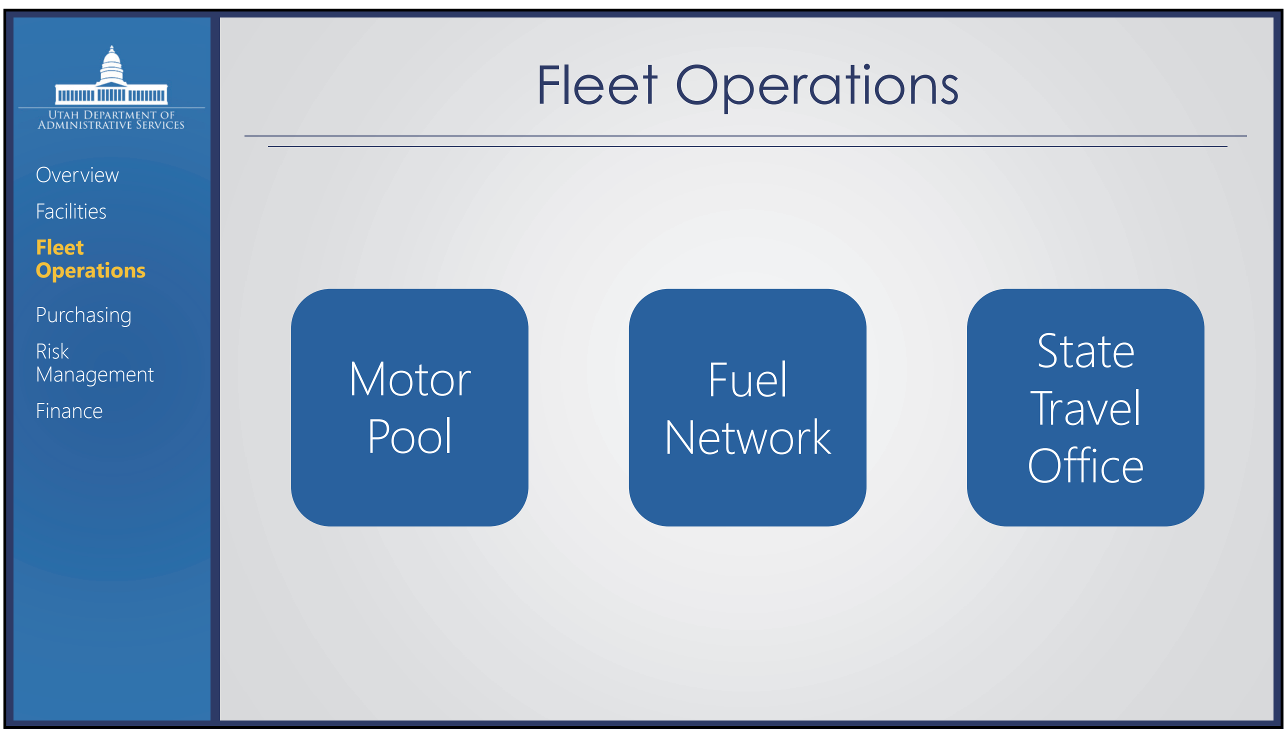
St. George Courts	465,353.00
St. George DPS	49,572.00
St. George Tax Commission	64,224.00
State Library	183,714.00
State Library State Mail	156,261.00
State Library visually impaired	124,027.00
Taylorsville Center for the Deaf	138,681.00
Taylorsville Office Building	185,250.00
Tooele Courts	311,351.00
Unified Lab	789,863.00
Utah Arts Collection	43,900.00
Utah State Office of Education	410,669.00
Utah State Tax Commission	928,200.00
Vernal 8th District Court	248,649.00
Vernal Division of Services for People with Disabilities	31,330.00
Vernal Juvenile Courts	20,256.00
Vernal Regional Center	28,820.72
West Jordan Courts	487,796.00
West Valley 3rd District Court	118,350.00
Work Force Services	
1385 South State	292,390.00
Administration	685,930.00
Brigham City	34,308.00
Call Center	200,317.00
Cedar City	78,461.00
Clearfield/Davis Co.	180,633.00
Logan	110,088.00
Metro Employment Center	252,776.00
Midvale	135,640.00
Ogden	153,748.00
Provo	127,680.00
Richfield	58,072.00
South County Employment Center	176,196.00
St. George	66,452.00
Vernal	73,702.00
Ogden Division of Motor Vehicles and Drivers License	71,964.00
Ogden Radio Shop	16,434.00

Proforma Financial Statements
DFCM ISF Maintenance

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET							
ASSETS							
CASH & CASH EQUIVALENTS	2,910,833	2,714,401	2,650,429	3,449,024	4,649,188	5,970,865	7,336,394
ACCOUNTS RECEIVABLE	30,510	70,885	7,091	4,437	20,147	32,757	20,756
DUE FROM OTHER FUNDS	109,011	311,844	416,067	276,612	45,333	60,483	33,440
INVENTORIES	0	0	0	0	0	0	0
PREPAID EXPENSES	71,805	27,902	30,832	33,979	37,324	40,889	44,686
TOTAL CURRENT ASSETS	**3,122,158**	**3,125,031**	**3,104,419**	**3,764,052**	**4,751,991**	**6,104,994**	**7,435,277**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM	398,026	370,124	339,292	305,313	267,979	227,090	182,404
TOTAL OTHER ASSETS	**398,026**	**370,124**	**339,292**	**305,313**	**267,979**	**227,090**	**182,404**
LAND / LAND IMPROVEMENTS	0	0	0	0	0	0	0
CONSTRUCTION IN PROGRESS	0	0	0	0	0	0	0
BUILDINGS AND IMPROVEMENTS	0	0	0	0	0	0	0
MACHINERY AND EQUIPMENT	700,840	690,517	693,242	735,342	792,092	857,342	882,342
ACCUMULATED DEPRECIATION	(642,130)	(653,302)	(663,307)	(669,410)	(700,789)	(732,728)	(749,878)
TOTAL CAPITAL ASSETS	**58,710**	**37,215**	**29,935**	**65,931**	**91,303**	**124,613**	**132,463**
TOTAL ASSETS	**3,578,894**	**3,532,370**	**3,473,645**	**4,135,296**	**5,111,273**	**6,456,697**	**7,750,144**
LIABILITIES & FUND EQUITY							
VOUCHERS PAYABLE	1,608,003	1,776,648	1,749,590	1,443,286	1,071,326	1,663,879	4,517,423
ACCRUED LIABILITIES	460,599	372,820	488,542	673,385	1,235,632	1,095,089	1,206,666
UNEARNED REVENUE	0	0	0	0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)	0	0	0	0	0	0	0
DUE TO OTHER FUNDS	36,232	22,469	44,994	51,848	46,887	21,846	51,846
CONTRACTS NOTES PAYABLE - SHORT TERM	25,147	27,902	30,832	33,979	37,324	40,889	44,686
CAPITAL LEASE PAYABLE-SHORT TERM	0	0	0	0	0	0	0
REVENUE BONDS - SHORT TERM	0	0	0	0	0	0	0
TOTAL CURRENT LIABILITIES	**2,129,981**	**2,199,839**	**2,313,959**	**2,202,498**	**2,391,169**	**2,821,703**	**5,820,621**
REVENUE BONDS - LONG TERM	0	0	0	0	0	0	0
CAPITAL LEASE PAYABLE-LONG TERM	0	0	0	0	0	0	0
CONTRACTS PAYABLE - LONG TERM	398,026	370,124	339,292	305,313	267,979	227,090	182,404
INTERFUND LOAN FROM OTHER FUNDS	0	0	0	0	0	0	0
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)	0	0	0	0	0	0	0
POLICY CLAIMS LIABILITIES - LONG-TERM	0	0	0	0	0	0	0
TOTAL LONG-TERM LIABILITIES	**398,026**	**370,124**	**339,292**	**305,313**	**267,979**	**227,090**	**182,404**
TOTAL LIABILITIES	**2,528,006**	**2,569,962**	**2,653,251**	**2,507,811**	**2,659,148**	**3,048,793**	**6,003,025**
CONTRIBUTED CAPITAL							
RETAINED EARNINGS - DESIGNATED	150,000	150,000	150,000	150,000	150,000	150,000	150,000
RETAINED EARNINGS	900,888	812,408	670,394	1,477,485	2,302,125	3,257,904	1,597,118
TOTAL FUND EQUITY / NET ASSETS	**1,050,888**	**962,408**	**820,394**	**1,627,485**	**2,452,125**	**3,407,904**	**1,747,118**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**3,578,894**	**3,532,370**	**3,473,645**	**4,135,296**	**5,111,273**	**6,456,697**	**7,750,143**
	0	(0)	0	(0)	(0)	(0)	(0)
INCOME STATEMENT							
TOTAL OPERATING REVENUES (after proposed rate impacts)	**28,044,448**	**28,542,694**	**29,088,594**	**30,005,026**	**31,092,352**	**32,408,323**	**32,359,775**
PERSONAL SERVICES	7,701,188	7,421,187	7,584,998	7,845,739	8,577,662	9,278,894	9,278,894
TRAVEL EXPENSE	21,303	18,084	18,194	19,163	935	1,025	1,025
CURRENT EXPENSE	21,102,808	20,487,003	21,012,793	20,667,877	21,377,687	21,870,149	21,885,500
CURRENT EXPENSE - DATA PROCESSING	387,495	449,566	371,439	398,466	14,390	14,325	14,325
DEPRECIATION EXPENSE	20,709	19,087	15,380	18,505	37,699	38,259	32,220
OTHER EXPENSES (SWCAP)	213,445	214,046	204,832	235,484	230,183	222,422	222,422
TOTAL OPERATING EXPENSES	**29,446,947**	**28,608,972**	**29,207,636**	**29,185,235**	**30,238,555**	**31,425,074**	**31,434,385**
TOTAL OPERATING INCOME (LOSS)	**(1,402,499)**	**(66,278)**	**(119,042)**	**819,791**	**853,797**	**983,249**	**925,390**
GAIN (LOSS) ON SALE OF FIXED ASSETS	0	(2,409)	0	0	0	0	0
INTEREST INCOME	50	39	39	58	0	0	0
INTEREST EXPENSE	(20,958)	(19,832)	(23,011)	(12,757.57)	(15,657.02)	(13,970.24)	(12,119.39)
FEDERAL GRANTS	0	0	0	0	0	0	0
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT	(9,989)	0	0	0	(13,500)	(13,500)	0
OPERATING TRANSFERS IN (OUT)	0	0	0	0	0	0	0
NET INCOME (LOSS)	**(1,433,396)**	**(88,480)**	**(142,013)**	**807,091**	**824,640**	**955,779**	**913,270**
CASH FLOW STATEMENT							
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**4,556,083**	**2,910,833**	**2,714,401**	**2,650,429**	**3,449,024**	**4,649,188**	**5,970,865**
Total Cash from Sales	28,202,288	28,542,694	29,048,164	30,005,026	31,092,352	32,408,323	32,359,775
Capital Asset Disposal Proceeds	0	(2,409)	0	0	0	0	0
Federal Grants	0	0	0	0	0	0	0
State Appropriations	0	0	0	0	0	0	0
Other Sources							
Other Sources - Interest Earnings	50	39	39	58	-	-	-
TOTAL SOURCES OF CASH	**28,202,338**	**28,540,324**	**29,048,204**	**30,005,083**	**31,092,352**	**32,408,323**	**32,359,775**
Cash Used for Operations	(29,759,465)	(28,736,755)	(29,104,076)	(29,166,729)	(29,767,938)	(30,953,896)	(30,969,246)
Payments for Capital Assets	(37,579)	0	(8,100)	(39,758)	(56,750)	(65,250)	(25,000)
State Appropriations	(40,555)	0	0	0	(54,000)	(54,000)	-
Other Uses - Federal Refund	(9,989)	-	-	-	(13,500)	(13,500)	-
TOTAL USES OF CASH	**(29,847,589)**	**(28,736,755)**	**(29,112,176)**	**(29,206,488)**	**(29,892,188)**	**(31,086,646)**	**(30,994,246)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**2,910,833**	**2,714,401**	**2,650,429**	**3,449,024**	**4,649,188**	**5,970,865**	**7,336,394**
	2,910,833	2,714,401	2,650,429	3,449,024	4,649,188	5,970,865	7,336,394
	(0)	0	(0)	(0)	(0)	0	(0)

Division of Fleet Operations


Fleet Operations
UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES


UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES
Overview
Facilities
Fleet Operations
Purchasing
Risk Management
Finance
Fleet Operations
Motor Pool
Fuel Network
State Travel Office

Utah Department of Administrative Services

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Motor Pool

7,864 total vehicles in the State fleet

340 private sector vendors

4,750 Fleet Operations vehicles

On-demand motor pool partnership with Enterprise

eBike pilot

Utah Department of Administrative Services

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Motor Pool Monthly Lease Rate

$$\text{Monthly Lease Rate} = \frac{\text{2013 Contract Price - Salvage}}{\text{Lifecycle}} + \text{Fees}$$

Contract Price	2013 model year contract price for class	
Salvage Value	Light trucks	21%
	Select sedans	18%
	Select SUVs	21%
	All others	17%
Lifecycle	Current lifecycle (in months) based on actual mileage	
Fees	Admin fee, Management Information System (MIS), and Alternative Fuel Vehicle (AFV) fees.	

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Motor Pool

Rate Recommendation

FY2018 Request – Remove fees

Fee	2017	2018	Increase (Decrease)
Monthly lease rate	Class rate	Actual contract	00.62%
AFV fee	$3.63 per month	$00.00	(100%)
Premium fuel use fee	$0.20 per gallon	$00.00	(100%)
Operator incentive alternative fuel use	$0.20 per gallon	$00.00	(100%)

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Motor Pool Debt to General Fund

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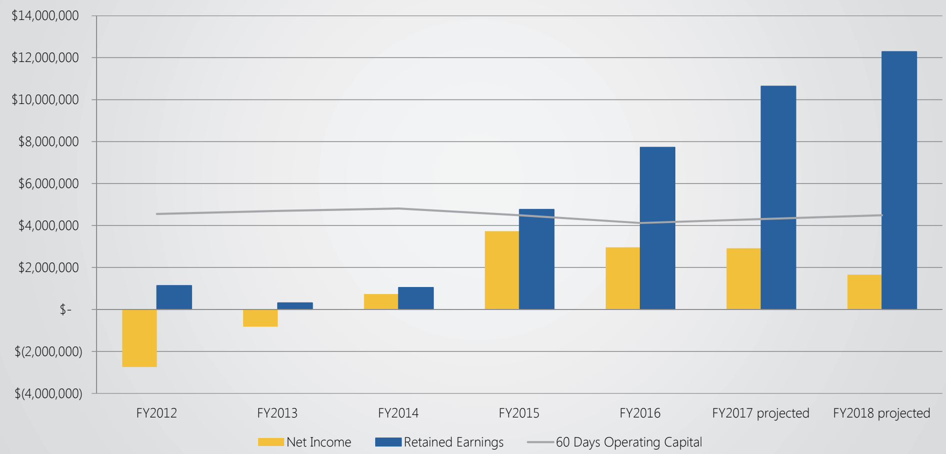
Motor Pool Retained Earnings



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Fuel Network

40,000 vehicles participate

18 million gallons dispensed

450 tanks state-wide
130 sites with card readers
7 CNG fuel sites

Federal and State compliant

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Fuel Network Rates

Rate Recommendation

Return the "Per gallon charge at State sites less than 60,000 gallons per year" to $0.105 per gallon

FY2018 Request – Gasoline/diesel fees adjustment:

Fee	2017	2018	Increase (Decrease)
High Volume (60,000 gallons plus per year) per gallon charge at State sites	$0.065 per gallon	$0.065 per gallon	00.00%
Low Volume (Less than 60,000 gallons per year) per gallon charge at State sites	$0.065 per gallon	$0.105 per gallon	61.90%
Per transaction fee at State sites	3% per transaction	3% per transaction	00.00%
Per gallon charge at CNG sites	$1.150 per gallon	$1.150 per gallon	00.00%

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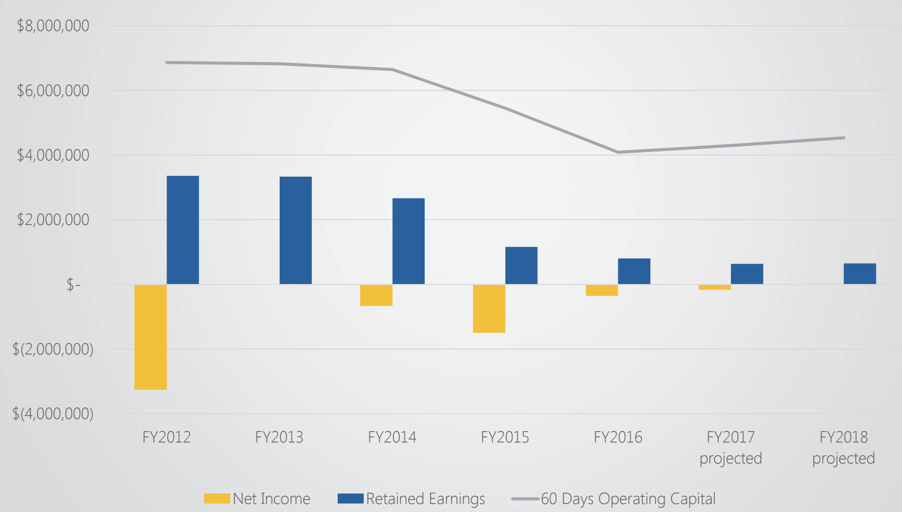
Fuel Network Retained Earnings



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State Travel Office

Booked 5,642 car reservations

Made 7,675 hotel reservations

Issued 19,225 airline tickets

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State Travel Office Rate Recommendation

Rate Recommendation

Increase travel agency service fee by $1.00 in each category and decrease the rental car admin fee

FY2018 Request – Travel agency service fee request

Travel Agency Service Fee	2017	2018	Increase (Decrease)
Online	$15.00	$16.00	6.66%
School/higher ed agents	$15.00	$16.00	6.66%
State agents	$20.00	$21.00	5.00%
Agent group (46+ people)	$17.50	$18.50	5.71%
Agent group (26 – 45 people)	$20.00	$21.00	5.00%
Agent group (16 – 25 people)	$22.50	$23.50	4.44%
Agent	$25.00	$26.00	4.00%
Rental car admin fee	3.5%	1.0%	(71.43%)

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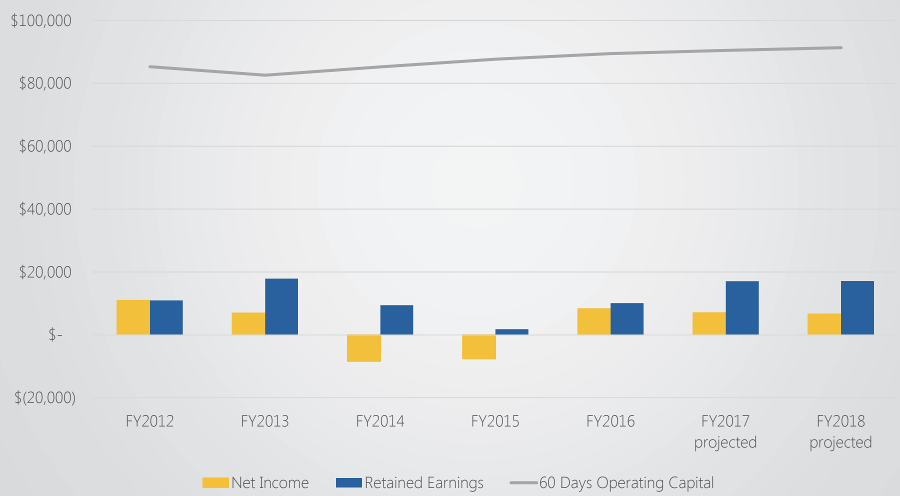
State Travel Office Retained Earnings



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Fleet Operations Rate Committee Action

Requested Actions

Action	Slide Number
Charge approved lease rate	21
Remove fees	21
Increase low volume per gallon fee by $0.04	25
Increase travel fees by $1.00 each	28
Reduce rental car admin fee to 1.0%	28
Approve all other existing rates	

Semi Truck and Trailer Service (per mile)	1.08
Two-ton Flat Bed Service (per mile)	0.61
Forklift Service (per hour)	23.00
4-6000 lbs	
On-site sale away from Utah State Agency Surplus Property yard	7% of net sale price
Storage	
Building (per cubic foot per month)	0.43
Fenced lot (per square foot per month)	0.23
Accounts receivable late fees	
Past 30 days	5% of balance
Past 60 days	10% of balance
ISF - Federal Surplus Property	
Surplus	
Federal Shipping and handling charges	See formula
Not to exceed 20% of federal acquisition cost plus freight/shipping charges	
Accounts receivable late fees	
Past 30 days	5% of balance
Past 60 days	10% of balance
DIVISION OF FLEET OPERATIONS	
ISF - Motor Pool	
Telematics GPS tracking	Actual cost
Commercial Equipment Rental	Cost plus $12 Fee
Administrative Fee for Do-Not Replace Vehicles (per Month)	51.29
Service Fee (per 12)	$12 Service Fee
General MP Info Research Fee (per 12)	$12 Per Hour
Lost or damaged fuel/maint card replacement fee (per 2)	$2 Fee
Vehicle Complaint Processing Fee (per 20)	$20 Fee
Operator negligence and vehicle abuse fees (per 0)	Varies (abuse or driver neglect cases only)
Lease Rate	
Sedans (per month, per vehicle)	See formula
Model Year 2013 contract price less 18% salvage value divided by current adjusted life cycle + admin fee + fleet MIS fee + AFV fee (if light duty) + mileage fee.)	
Select trucks, vans, SUVs (per month, per vehicle)	See formula
Model Year 2013 contract price less 21% salvage value divided by current adjusted life cycle + admin fee + fleet MIS fee + AFV fee (if light duty) +	

mileage fee.	
All other vehicles (per month, per vehicle)	See formula
Model Year 2013 contract price less 17% salvage value divided by current adjusted lifecycle + admin fee + fleet MIS fee + AFV fee (if light duty) + mileage fee.	
Mileage	See formula
Maintenance and repair costs for a particular class of vehicle, divided by total miles for that class	
Fuel Pass-through	Actual cost
Equipment rate for Public Safety vehicles	Actual cost
Fees for agency owned vehicles	
Seasonal Mgt Information System and Alternative Fuel Vehicle only (per month)	10.90
Management Information System and Alternative Fuel Vehicle only (per month)	10.90
Management Information System only (per month)	2.72
Additional Management	
Daily Pool Rates - Actual Cost From Vendor Contract - Actual Cost	Actual Cost
Administrative Fee for Overhead	48.57
Alternative Fuel	3.63
Light duty only	
Management Information System (per month)	2.72
Vehicle Feature and Miscellaneous Equipment Upgrade	Actual cost
Vehicle Class Differential Upgrade	Actual cost
Bad Odometer Research	50.00
Operator fault	
Vehicle Detail Cleaning Service	40.00
Premium Fuel Use (per gallon)	0.20
Excessive Maintenance, Accessory Fee	Variable
Accounts receivable late fee	
Past 30-days	5% of balance
Past 60-days	10% of balance
Past 90-days	15% of balance
Accident deductible rate charged (per accident)	Actual cost
Operator negligence and vehicle abuse	Variable
Higher Ed Mgt. Info Sys. & Alternative Fuel Vehicle Mo. (per vehicle)	6.33
Statutory Maintenance Non-Compliance	
10 days late (per vehicle per month)	100.00
20 days late (per vehicle per month)	200.00

30+ days late (per vehicle per month)	300.00
Seasonal Use Vehicle Lease	155.02
Operator Incentives	
Operator Incentives Alternative Fuel Rebate (per gallon)	0.20
ISF - Fuel Network	
Charge (per gallon)	0.065
greater than or equal to 60,000 gal./yr	
Charge at low volume sites (per gallon)	0.065
less than 60,000 gal./yr.	
Percentage of transaction value at all sites	3.0%
Accounts receivable late fee	
Past 30 days	5% of balance
Past 60 days	10% of balance
Past 90 days	15% of balance
CNG Maintenance and Depreciation (per gallon)	1.15
ISF - Travel Office	
Travel	
Travel Agency Service	
Regular	25.00
Online	15.00
State Agent	20.00
Group	
16-25 people	22.50
26-45 people	20.00
46+ people	17.50
School District Agent	15.00
RISK MANAGEMENT	
ISF - Risk Management Administration	
Liability Premiums	
Administrative Services	412,836.00
Agriculture	42,537.00
Alcoholic Beverage Control	89,311.00
Attorney General's Office	165,404.00
Auditor	12,572.00
Board of Pardons	12,674.00
Capitol Preservation Board	11,334.00
Career Service Review Office	623.00

Proforma Financial Statements
Fleet Administration

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	63,590	64,316	139,721	61,437	60,169	60,169	60,169	60,169
ACCOUNTS RECEIVABLE				0	0	0	0	0
DUE FROM OTHER FUNDS	1,113		0	0	0	0	0	0
INVENTORIES								
PREPAID EXPENSES								
TOTAL CURRENT ASSETS	**64,703**	**64,316**	**139,721**	**61,437**	**60,169**	**60,169**	**60,169**	**60,169**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
ACCUMULATED DEPRECIATION								
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**64,703**	**64,316**	**139,721**	**61,437**	**60,169**	**60,169**	**60,169**	**60,169**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	5,218	19,212	91,717	7,798	15,812	15,812	15,812	15,812
ACCRUED LIABILITIES	15,137	0	0	0	0	0	0	0
DEFERRED REVENUE				0	0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)								
DUE TO OTHER FUNDS	103	859	3,759	9,394	112	112	112	112
POLICY CLAIMS LIABILITIES - SHORT TERM								
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**20,458**	**20,071**	**95,476**	**17,192**	**15,924**	**15,924**	**15,924**	**15,924**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL LIABILITIES	**20,458**	**20,071**	**95,476**	**17,192**	**15,924**	**15,924**	**15,924**	**15,924**
CONTRIBUTED CAPITAL	35,169	35,169	35,169	35,169	35,169	35,169	35,169	35,169
RETAINED EARNINGS	9,076	9,076	9,076	9,076	9,076	9,076	9,076	9,076
TOTAL FUND EQUITY / NET ASSETS	**44,245**	**44,245**	**44,245**	**44,245**	**44,245**	**44,245**	**44,245**	**44,245**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**64,703**	**64,316**	**139,721**	**61,437**	**60,169**	**60,169**	**60,169**	**60,169**
	0	0	0	0	0	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)								
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
PERSONAL SERVICES	319,618	282,892	284,660	219,526	255,918	261,036	266,257	266,257
TRAVEL EXPENSE	6,800	2,550	1,245	588	6,556	6,556	6,556	6,556
CURRENT EXPENSE	107,074	85,367	372,919	110,616	89,469	89,469	89,469	89,469
CURRENT EXPENSE - DATA PROCESSING	106,403	164,852	176,887	152,871	65,998	65,998	65,998	65,998
DEPRECIATION EXPENSE								
OTHER EXPENSES	(539,895)	(535,661)	(835,711)	(483,601)	(417,941)	(423,059)	(428,280)	(428,280)
TOTAL OPERATING EXPENSES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL OPERATING INCOME (LOSS)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**93,239**	**63,590**	**64,316**	**139,721**	**61,437**	**60,169**	**60,169**	**60,169**
Total Cash from Sales	(1,094)	1,114	0	0	0	0	0	0
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources								
TOTAL SOURCES OF CASH	**(1,094)**	**1,114**	**0**	**0**	**0**	**0**	**0**	**0**
Cash Used for Operations	(28,555)	(387)	75,405	(78,284)	(1,268)	0	0	0
Payments for Capital Assets				0	0	0	0	0
State Appropriations								
Other Uses		(1)						
TOTAL USES OF CASH	**(28,555)**	**(388)**	**75,405**	**(78,284)**	**(1,268)**	**0**	**0**	**0**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**63,590**	**64,316**	**139,721**	**61,437**	**60,169**	**60,169**	**60,169**	**60,169**
	63,590	64,316	139,721	61,437	60,169	60,169	60,169	60,169
	0	0	0	0	0	0	0	0

Proforma Financial Statements
Motor Pool

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
FY15 & 16 Temporary reduction in General Fund Debt due to reduced vehicle purchases			(41,629,268)	(33,317,489)	(31,370,829)	(24,654,384)	(19,913,764)	(17,352,564)
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS								
ACCOUNTS RECEIVABLE	104,650	150,401	129,850	153,701	89,385	100,000	100,000	100,000
DUE FROM OTHER FUNDS	1,930,243	2,337,162	2,867,861	2,515,504	2,564,387	2,500,000	2,500,000	2,500,000
INVENTORIES								
PREPAID EXPENSES		21,537						
TOTAL CURRENT ASSETS	**2,034,893**	**2,509,100**	**2,997,711**	**2,669,205**	**2,653,772**	**2,600,000**	**2,600,000**	**2,600,000**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
VEHICLES	114,857,899	122,084,573	126,931,884	124,556,610	130,102,485	121,502,485	112,902,485	104,302,485
BUILDINGS AND IMPROVEMENTS	173,480	173,480	173,480	173,480	173,480	173,480	173,480	173,480
MACHINERY AND EQUIPMENT	200,000	219,440	219,440	219,440	219,440	219,440	219,440	219,440
ACCUMULATED DEPRECIATION	(50,792,187)	(50,823,718)	(51,125,435)	(52,409,083)	(55,435,068)	(49,673,144)	(43,161,177)	(35,149,210)
TOTAL CAPITAL ASSETS	**64,439,192**	**71,653,775**	**76,199,369**	**72,540,447**	**75,060,337**	**72,222,261**	**70,134,228**	**69,546,195**
TOTAL ASSETS	**66,474,085**	**74,162,875**	**79,197,080**	**75,209,652**	**77,714,109**	**74,822,261**	**72,734,228**	**72,146,195**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	1,968,509	2,592,598	2,154,873	1,394,413	1,591,583	1,500,000	1,500,000	1,500,000
ACCRUED LIABILITIES	43,958	0	38,949	43,047	0	0	0	0
DEFERRED REVENUE				0	0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)	9,214,142	12,395,999	16,049,489	16,916,663	11,538,076	10,788,033	9,188,033	7,588,033
DUE TO OTHER FUNDS	22,134	21,321	20,461	101,169	45,087	50,000	50,000	50,000
POLICY CLAIMS LIABILITIES - SHORT TERM								
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**11,248,743**	**15,009,918**	**18,263,772**	**18,455,292**	**13,174,746**	**12,338,033**	**10,738,033**	**9,138,033**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)	21,452,218	25,479,346	25,579,779	16,400,826	19,832,753	13,866,351	10,725,731	9,764,531
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**21,452,218**	**25,479,346**	**25,579,779**	**16,400,826**	**19,832,753**	**13,866,351**	**10,725,731**	**9,764,531**
TOTAL LIABILITIES	**32,700,961**	**40,489,264**	**43,843,551**	**34,856,118**	**33,007,499**	**26,204,384**	**21,463,764**	**18,902,564**
CONTRIBUTED CAPITAL	32,637,976	33,364,944	34,314,353	35,586,566	36,981,774	37,981,774	38,981,774	39,981,774
RETAINED EARNINGS	1,135,148	308,667	1,039,176	4,766,968	7,724,836	10,636,103	12,288,690	13,261,857
TOTAL FUND EQUITY / NET ASSETS	**33,773,124**	**33,673,611**	**35,353,529**	**40,353,534**	**44,706,610**	**48,617,877**	**51,270,464**	**53,243,631**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**66,474,085**	**74,162,875**	**79,197,080**	**75,209,652**	**77,714,109**	**74,822,261**	**72,734,228**	**72,146,195**
	0	0	0	0	0	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**23,965,272**	**26,719,899**	**28,863,160**	**29,919,181**	**28,063,241**	**28,063,241**	**28,063,241**	**27,890,715**
Rate Impact							**(172,526)**	
TOTAL OPERATING REVENUES (after proposed rate impacts)	**23,965,272**	**26,719,899**	**28,863,160**	**29,919,181**	**28,063,241**	**28,063,241**	**27,890,715**	**27,890,715**
PERSONAL SERVICES	924,994	738,687	832,347	944,961	845,183	862,087	879,328	896,915
TRAVEL EXPENSE	2,230	7,503	5,195	1,211	3,781	3,000	3,000	3,000
CURRENT EXPENSE	16,467,536	16,890,068	16,573,329	14,114,909	12,029,837	13,651,135	15,687,647	17,744,524
CURRENT EXPENSE - DATA PROCESSING	427,749	343,328	416,243	361,858	328,286	579,702	357,286	357,286
DEPRECIATION EXPENSE	9,214,142	9,899,345	10,575,280	11,259,214	11,268,930	10,513,076	9,763,033	8,263,033
OTHER EXPENSES	263,854	294,993	453,727	266,005	238,210	242,974	247,834	252,790
TOTAL OPERATING EXPENSES	**27,300,505**	**28,173,924**	**28,856,121**	**26,948,158**	**24,714,227**	**25,851,974**	**26,938,128**	**27,517,548**
TOTAL OPERATING INCOME (LOSS)	**(3,335,233)**	**(1,454,025)**	**7,039**	**2,971,023**	**3,349,014**	**2,211,267**	**952,587**	**373,167**
GAIN (LOSS) ON SALE OF FIXED ASSETS	582,853	627,544	723,470	756,769	(391,146)	700,000	700,000	600,000
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS	8,000							
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**(2,744,380)**	**(826,481)**	**730,509**	**3,727,792**	**2,957,868**	**2,911,267**	**1,652,587**	**973,167**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**(23,910,418)**	**(30,666,360)**	**(37,875,345)**	**(41,629,268)**	**(33,317,489)**	**(31,370,829)**	**(24,654,384)**	**(19,913,764)**
Total Cash from Sales	24,381,985	26,267,229	28,353,012	30,247,687	28,078,674	28,117,013	27,890,715	27,890,715
Capital Asset Disposal Proceeds	3,065,137	3,601,865	3,650,651	4,206,616	3,148,544	1,025,000	1,025,000	925,000
Federal Grants	8,000							
State Appropriations								
Fleet Expansion	763,829	726,968	949,409	1,272,213	1,395,208	1,000,000	1,000,000	1,000,000
TOTAL SOURCES OF CASH	**28,218,951**	**30,596,062**	**32,953,072**	**35,726,516**	**32,622,426**	**30,142,013**	**29,915,715**	**29,815,715**
Cash Used for Operations	(18,115,711)	(17,716,798)	(18,658,939)	(16,364,599)	(13,347,256)	(15,425,568)	(17,175,095)	(19,254,515)
Payments for Capital Assets	(16,859,184)	(20,088,249)	(18,048,056)	(11,050,138)	(17,328,510)	(8,000,000)	(8,000,000)	(8,000,000)
State Appropriations								
Other Uses	2							
TOTAL USES OF CASH	**(34,974,893)**	**(37,805,047)**	**(36,706,995)**	**(27,414,737)**	**(30,675,766)**	**(23,425,568)**	**(25,175,095)**	**(27,254,515)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**(30,666,360)**	**(37,875,345)**	**(41,629,268)**	**(33,317,489)**	**(31,370,829)**	**(24,654,384)**	**(19,913,764)**	**(17,352,564)**
	(30,666,360)	(37,875,345)	(41,629,268)	(33,317,489)	(31,370,829)	(24,654,384)	(19,913,764)	(17,352,564)
	0	0	0	0	0	0	0	0
Ratio of General Fund Debt to Net Book Value of Assets	48%	53%	55%	46%	42%	34%	28%	25%

Proforma Financial Statements
Fuel Network

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS								
ACCOUNTS RECEIVABLE	2,589,582	2,514,065	2,437,353	2,271,838	2,104,987	2,200,000	2,200,000	2,200,000
DUE FROM OTHER FUNDS	1,213,889	949,484	995,774	680,327	0	0	0	0
INVENTORIES	4,191,734	4,986,099	4,851,362	3,435,564	3,138,898	3,200,000	3,300,000	3,400,000
PREPAID EXPENSES								
TOTAL CURRENT ASSETS	**7,995,205**	**8,449,648**	**8,284,489**	**6,387,729**	**5,243,885**	**5,400,000**	**5,500,000**	**5,600,000**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS	19,167	19,167	19,167	19,167	19,167	19,167	19,167	19,167
MACHINERY AND EQUIPMENT	3,449,583	3,651,198	3,766,615	3,780,729	3,780,729	4,130,729	4,980,729	5,830,729
ACCUMULATED DEPRECIATION	(2,681,216)	(2,867,849)	(3,058,253)	(3,237,336)	(3,382,650)	(3,523,608)	(3,749,566)	(3,965,524)
TOTAL CAPITAL ASSETS	**787,534**	**802,516**	**727,529**	**562,560**	**417,246**	**626,288**	**1,250,330**	**1,884,372**
TOTAL ASSETS	**8,782,739**	**9,252,164**	**9,012,018**	**6,950,289**	**5,661,131**	**6,026,288**	**6,750,330**	**7,484,372**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	2,442,595	2,345,809	3,250,975	3,757,816	1,449,537	1,500,000	1,500,000	1,500,000
ACCRUED LIABILITIES	40,629	0	0	0	0	0	0	0
DEFERRED REVENUE	0	0	0	0	0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)	184,781	217,961	179,082	523,468	140,958	225,958	215,958	205,958
DUE TO OTHER FUNDS	0	6,939	869	80,628	216	0	0	0
POLICY CLAIMS LIABILITIES - SHORT TERM								
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**2,668,005**	**2,570,709**	**3,430,926**	**4,361,912**	**1,590,711**	**1,725,958**	**1,715,958**	**1,705,958**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)	2,760,888	3,350,743	2,922,254	1,430,719	3,271,009	3,670,306	4,389,872	5,023,186
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**2,760,888**	**3,350,743**	**2,922,254**	**1,430,719**	**3,271,009**	**3,670,306**	**4,389,872**	**5,023,186**
TOTAL LIABILITIES	**5,428,893**	**5,921,452**	**6,353,180**	**5,792,631**	**4,861,720**	**5,396,264**	**6,105,830**	**6,729,144**
CONTRIBUTED CAPITAL								
RETAINED EARNINGS	3,353,846	3,330,712	2,658,838	1,157,658	799,411	630,024	644,500	755,228
TOTAL FUND EQUITY / NET ASSETS	**3,353,846**	**3,330,712**	**2,658,838**	**1,157,658**	**799,411**	**630,024**	**644,500**	**755,228**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**8,782,739**	**9,252,164**	**9,012,018**	**6,950,289**	**5,661,131**	**6,026,288**	**6,750,330**	**7,484,372**
	0	0	0	0	0	(0)	0	(0)
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**40,161,538**	**40,920,238**	**39,203,584**	**31,173,548**	**24,001,988**	**25,605,557**	**27,105,557**	**28,687,901**
Rate Impact							**82,344**	
TOTAL OPERATING REVENUES (after proposed rate impacts)	**40,161,538**	**40,920,238**	**39,203,584**	**31,173,548**	**24,001,988**	**25,605,557**	**27,187,901**	**28,687,901**
PERSONAL SERVICES	625,758	593,334	603,197	630,698	660,771	673,986	687,466	701,215
TRAVEL EXPENSE	604	52	161	0	0	0	0	0
CURRENT EXPENSE	39,922,091	39,778,376	38,479,855	31,492,480	23,342,065	24,600,000	25,900,000	27,300,000
CURRENT EXPENSE - DATA PROCESSING	50,875	42,345	57,786	62,504	84,311	85,000	85,000	85,000
DEPRECIATION EXPENSE	184,781	186,633	190,405	179,082	145,315	140,958	225,958	215,958
OTHER EXPENSES	385,813	342,237	544,054	309,964	277,773	275,000	275,000	275,000
TOTAL OPERATING EXPENSES	**41,169,922**	**40,942,977**	**39,875,458**	**32,674,728**	**24,510,235**	**25,774,944**	**27,173,424**	**28,577,173**
TOTAL OPERATING INCOME (LOSS)	**(1,008,384)**	**(22,739)**	**(671,874)**	**(1,501,180)**	**(508,247)**	**(169,387)**	**14,477**	**110,728**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS	10,492							
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT	(263,467)							
OPERATING TRANSFERS IN (OUT)	-2000000	-395			150000			
NET INCOME (LOSS)	**(3,261,359)**	**(23,134)**	**(671,874)**	**(1,501,180)**	**(358,247)**	**(169,387)**	**14,477**	**110,728**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**(3,126,026)**	**(2,945,669)**	**(3,568,704)**	**(3,101,336)**	**(1,954,187)**	**(3,411,967)**	**(3,896,264)**	**(4,605,830)**
Total Cash from Sales	44,061,982	41,260,160	39,234,006	31,654,510	24,849,166	25,510,544	27,245,557	28,745,557
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants	10,492							
State Appropriations					150,000			
Other Sources								
TOTAL SOURCES OF CASH	**44,072,474**	**41,260,160**	**39,234,006**	**31,654,510**	**24,999,166**	**25,510,544**	**27,245,557**	**28,745,557**
Cash Used for Operations	(41,565,655)	(41,681,185)	(38,651,221)	(30,493,247)	(26,456,946)	(25,644,841)	(27,105,123)	(28,518,871)
Payments for Capital Assets	(62,995)	(201,615)	(115,417)	(14,114)	0	(350,000)	(850,000)	(850,000)
State Appropriations	(2,000,000)							
Other Uses	(263,467)	(395)						
TOTAL USES OF CASH	**(43,892,117)**	**(41,883,195)**	**(38,766,638)**	**(30,507,361)**	**(26,456,946)**	**(25,994,841)**	**(27,955,123)**	**(29,368,871)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**(2,945,669)**	**(3,568,704)**	**(3,101,336)**	**(1,954,187)**	**(3,411,967)**	**(3,896,264)**	**(4,605,830)**	**(5,229,144)**
	(2,945,669)	(3,568,704)	(3,101,336)	(1,954,187)	(3,411,967)	(3,896,264)	(4,605,830)	(5,229,144)
	0	0	0	0	0	0	0	0

8/26/2016

Proforma Financial Statements
State Travel

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	14,502	6,679	12,369	1,095	0	2,022	2,088	0
ACCOUNTS RECEIVABLE	26,089	63,872	29,717	32,848	42,552	40,000	40,000	40,000
DUE FROM OTHER FUNDS								
INVENTORIES								
PREPAID EXPENSES								
TOTAL CURRENT ASSETS	**40,591**	**70,551**	**42,086**	**33,943**	**42,552**	**42,022**	**42,088**	**40,000**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
ACCUMULATED DEPRECIATION								
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**40,591**	**70,551**	**42,086**	**33,943**	**42,552**	**42,022**	**42,088**	**40,000**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	21,883	51,841	26,380	32,107	24,365	25,000	25,000	25,000
ACCRUED LIABILITIES	7,720	0	6,274	0	0	0	0	0
DEFERRED REVENUE								
INTERFUND LOAN (Short Term Cash Deficit)					8,113			
DUE TO OTHER FUNDS	50	886	46	69	52	0	0	0
POLICY CLAIMS LIABILITIES - SHORT TERM								
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**29,653**	**52,727**	**32,700**	**32,176**	**32,530**	**25,000**	**25,000**	**25,000**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)				0	0	0	0	2,846
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**2,846**
TOTAL LIABILITIES	**29,653**	**52,727**	**32,700**	**32,176**	**32,530**	**25,000**	**25,000**	**27,846**
CONTRIBUTED CAPITAL								
RETAINED EARNINGS	10,938	17,824	9,386	1,767	10,022	17,022	17,088	12,154
TOTAL FUND EQUITY / NET ASSETS	**10,938**	**17,824**	**9,386**	**1,767**	**10,022**	**17,022**	**17,088**	**12,154**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**40,591**	**70,551**	**42,086**	**33,943**	**42,552**	**42,022**	**42,088**	**40,000**
	0	0	0	0	0	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**522,709**	**502,547**	**503,075**	**518,518**	**545,176**	**550,000**	**550,000**	**548,066**
Rate Impact							**(1,934)**	
TOTAL OPERATING REVENUES (after proposed rate impacts)	**522,709**	**502,547**	**503,075**	**518,518**	**545,176**	**550,000**	**548,066**	**548,066**
PERSONAL SERVICES	164,450	160,594	165,379	171,485	175,699	180,000	185,000	190,000
TRAVEL EXPENSE	515	1,198	1,411	1,226	611	1,000	1,000	1,000
CURRENT EXPENSE	330,799	318,394	323,837	335,178	343,729	345,000	345,000	345,000
CURRENT EXPENSE - DATA PROCESSING	10,065	9,552	11,276	11,435	11,377	11,500	11,500	11,500
DEPRECIATION EXPENSE								
OTHER EXPENSES	5,942	5,923	9,610	6,813	5,505	5,500	5,500	5,500
TOTAL OPERATING EXPENSES	**511,771**	**495,661**	**511,513**	**526,137**	**536,921**	**543,000**	**548,000**	**553,000**
TOTAL OPERATING INCOME (LOSS)	**10,938**	**6,886**	**(8,438)**	**(7,619)**	**8,255**	**7,000**	**66**	**(4,934)**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**10,938**	**6,886**	**(8,438)**	**(7,619)**	**8,255**	**7,000**	**66**	**(4,934)**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**0**	**14,502**	**6,679**	**12,369**	**1,095**	**(8,113)**	**2,022**	**2,088**
Total Cash from Sales	496,620	464,764	537,230	515,387	535,472	552,552	548,066	548,066
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources								
TOTAL SOURCES OF CASH	**496,620**	**464,764**	**537,230**	**515,387**	**535,472**	**552,552**	**548,066**	**548,066**
Cash Used for Operations	(482,118)	(472,587)	(531,540)	(526,661)	(544,680)	(542,417)	(548,000)	(550,154)
Payments for Capital Assets				0	0	0	0	0
State Appropriations								
Other Uses								
TOTAL USES OF CASH	**(482,118)**	**(472,587)**	**(531,540)**	**(526,661)**	**(544,680)**	**(542,417)**	**(548,000)**	**(550,154)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**14,502**	**6,679**	**12,369**	**1,095**	**(8,113)**	**2,022**	**2,088**	**0**
	14,502	6,679	12,369	1,095	(8,113)	2,022	2,088	0
	0	0	0	0	0	0	0	0

Division of Purchasing and General Services

Utah Department of Administrative Services

- Overview
- Facilities
- Fleet Operations
- **Purchasing**
- Risk Management
- Finance

Purchasing and General Services

- Cooperative Contracts
- State/Federal Surplus Property
- Print Services
- State Mail

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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Cooperative Contracts

State Purchasing
750 cooperative contracts
$1.9B total usage

Counties
$106M usage
(voluntary use)

Cities
$285M usage
(voluntary use)

State Agencies
$989M usage
(required use)

School Districts
$144M usage
(voluntary use)

Higher Ed
$258M usage
(voluntary use)

Service Districts & Non-profits
$46M usage
(voluntary use)

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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Cooperative Contracts Rates

Current Rate Structure

100%
Vendor-funded administrative fees
State agencies pay nothing

1%
Maximum fee

0.39%
Current average fee

Administrative fees are being lowered on contracts as each contract is rebid

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

Overview
Facilities
Fleet Operations
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Cooperative Contracts
- Rate Changes

Risk Management
Finance

Utah Belongs to a National Purchasing Cooperative

NASPO ValuePoint brings together the purchasing power of all 50 states

- Volume discount pricing
- Improved contract terms and conditions
- Better service and maintenance agreements

55

of State Purchasing's 750 cooperative contracts are through the NASPO ValuePoint cooperative purchasing organization

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

Overview
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Cooperative Contracts
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Finance

Legislative Audit of NASPO ValuePoint

Findings

NASPO ValuePoint contracts have lower prices and fees than other purchasing cooperatives

Administrative fees on NASPO ValuePoint contracts are 3 times lower than other purchasing contracts

State Purchasing saves money by using NASPO ValuePoint contracts

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

- Overview
- Facilities
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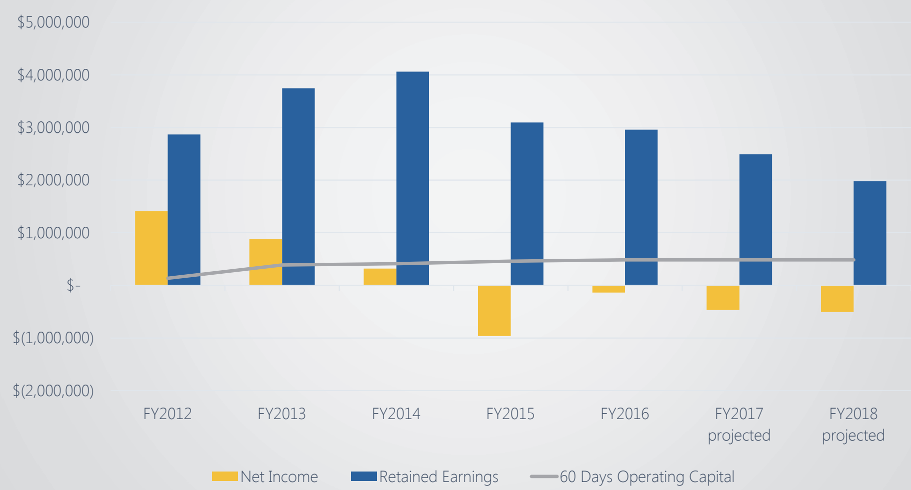
  - Retained Earnings
- Risk Management
- Finance

Cooperative Contracts Retained Earnings



UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

- Overview
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  - Cooperative Contracts
  - Rate Changes
  - Retained Earnings
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Cooperative Contracts Retained Earnings

A higher-than-normal retained earnings balance is needed to keep the cooperative contracting program functioning in the event of an economic downturn. Because so many state and non-state public entities are reliant on the use of state contracts, sufficient reserves must be maintained.

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

- Overview
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State/Federal Surplus

Saved Utah law enforcement agencies $95,950 through the 1033 program

Saved Utah governmental agencies $1,870,099 through the Federal Donation Program

Implemented disposal of non-vehicle items required by SB 122 (2015 G.S.)

Average price of vehicle sales using NADA
Outside vendor: 94%
Surplus: 115%

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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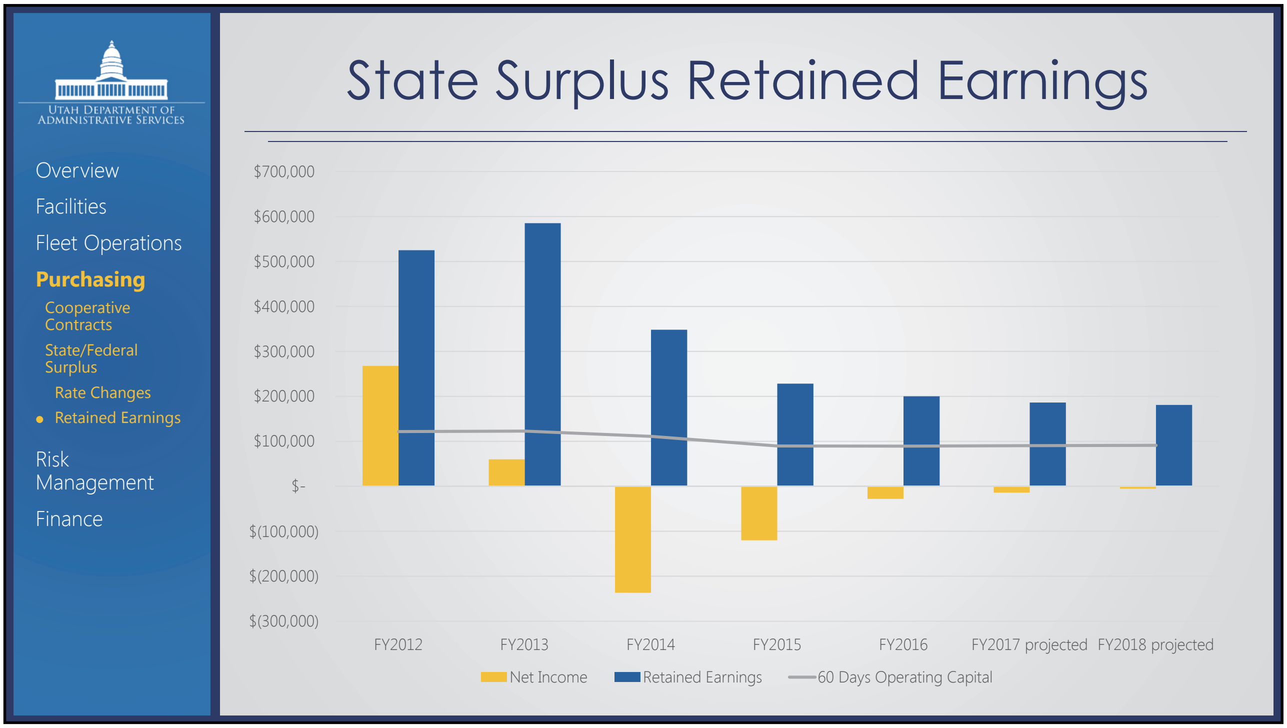
State/Federal FY2016 Authorized Rates

Rate Recommendation

No change to current rate structure

State Property Rates	
General Rates	
Miscellaneous Property Pickup/Process Fee	Total sales proceeds (less prorated rebate of retained earnings)
Handheld Devices (PDSs and Wireless Phones)	
Less Than 1 Year Old	75% of actual cost
1 Year Old	50% of cost, $ 30.00 minimum
Unique Property Processing Fee	Negotiated percent of sales price
Financial Card Fee (per Purchase Amount)	3% of purchase amount
Electronic/Hazardous Waste Recycling Fees	Actual cost
Vehicles and Heavy Equipment	$ 100.00 plus 6.5% of net sales price
Defaulted Auctions Bids	10% of sales price
Service Rates	
Labor (per hour, half hour minimum)	$ 26.00/hour
Copy Rates	$ 0.10/copy
Semi Truck and Trailer Service	$ 1.08/mile
Two-ton Flat Bed Service	$ 0.61/mile
Forklift Service (4 – 6,000 lb)	$ 23.00/hour
Processing Rates	
On-site sale away from USASP yard	7% of net sale price maximum negotiable
Storage Rates	
Storage – building	$ 0.43/cu/month
Storage – fenced lot	$ 0.23/sq/month
Additional Management Fees	
Late Fees	
Past 30-days Late Fee (accounts receivable)	5% balance
Past 60-days Late Fee (accounts receivable)	10% balance
Federal Property Rates	
Federal Shipping and Handling Charges	Generally 20% of federal acquisition cost plus freight/shipping charges
Additional Management Fees	
Past 30-days Late Fee (accounts receivable)	5% balance
Past 60-days Late Fee (accounts receivable)	10% balance


UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES
Overview
Facilities
Fleet Operations
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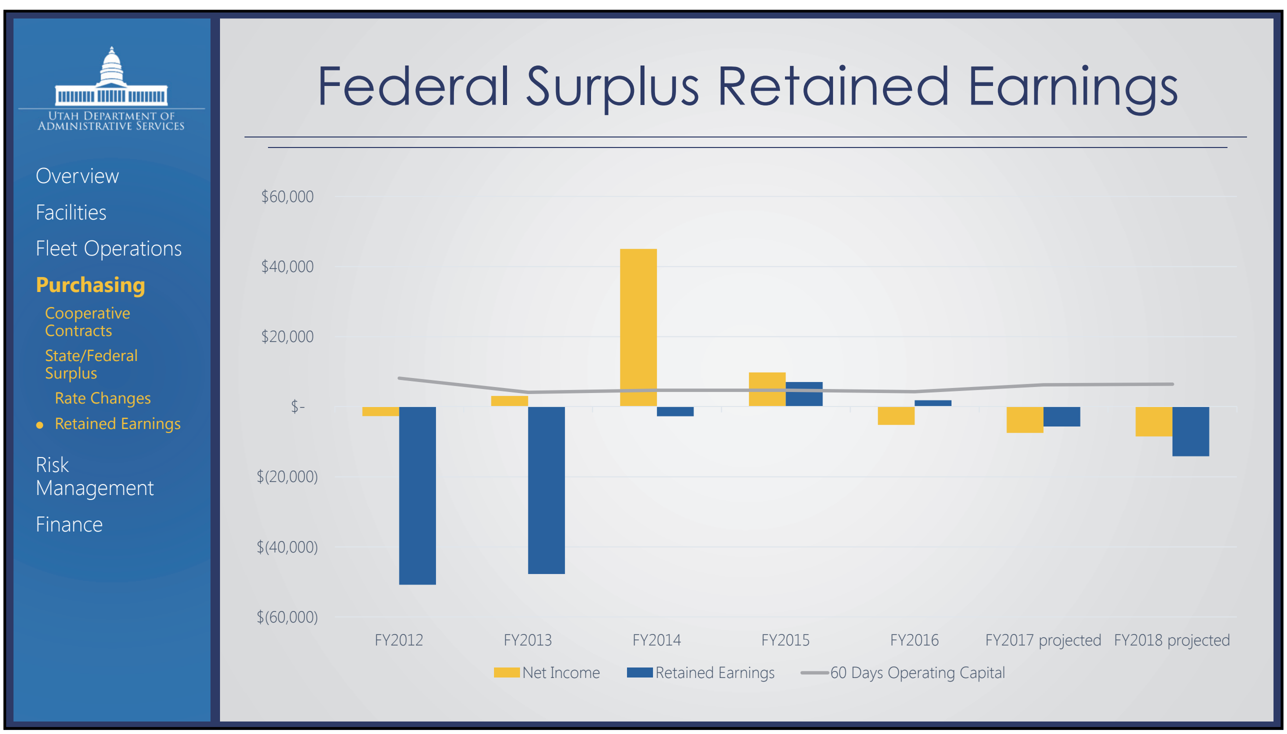
Retained Earnings
Risk Management
Finance
State Surplus Retained Earnings
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$-
$(100,000)
$(200,000)
$(300,000)
FY2012
FY2013
FY2014
FY2015
FY2016
FY2017 projected
FY2018 projected
Net Income
Retained Earnings
60 Days Operating Capital


UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES
Overview
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Federal Surplus Retained Earnings
$60,000
$40,000
$20,000
$-
$(20,000)
$(40,000)
$(60,000)
FY2012
FY2013
FY2014
FY2015
FY2016
FY2017 projected
FY2018 projected
Net Income
Retained Earnings
60 Days Operating Capital

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

- Overview
- Facilities
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Print Services

State Copy Center

1,369 print jobs for the year

4,110,745 impressions

99.9% accuracy

99.9% on-time delivery

Digital Print Services

1,051 walk-up copiers

55.656,482 impressions

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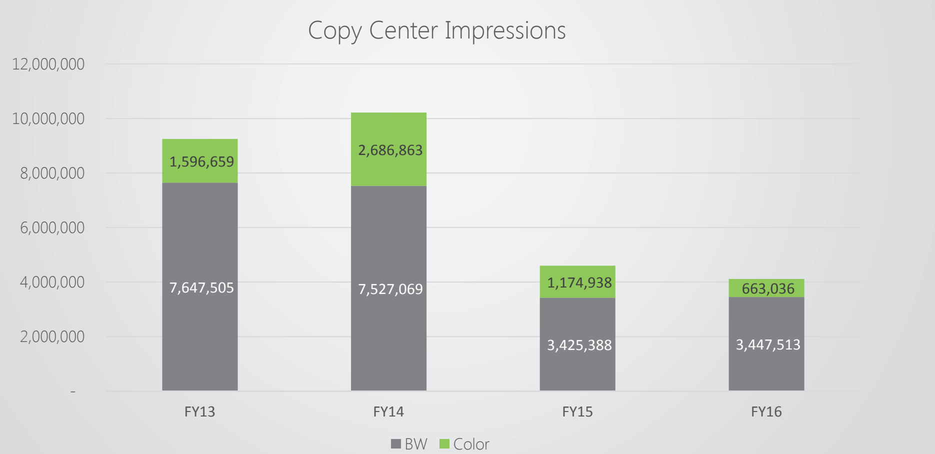
Print Services

To support Governor Herbert's goal of reducing recidivism in our prisons, all print jobs not containing personal or sensitive data are being sent to the Utah Correctional Industries (UCI) for printing.



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Print Services Rates

Rate Recommendation

No change to current rate structure

Program & Service	FY2017	FY2018	Increase (Decrease)
Copier Service			
Paper	Cost plus 25%	Cost plus 25%	00.00%
Administrative Fee (per impression)	$0.004	$0.004	00.00%
State Copy Center			
Contract Management Fee (per impression)	$0.005	$0.005	00.00%

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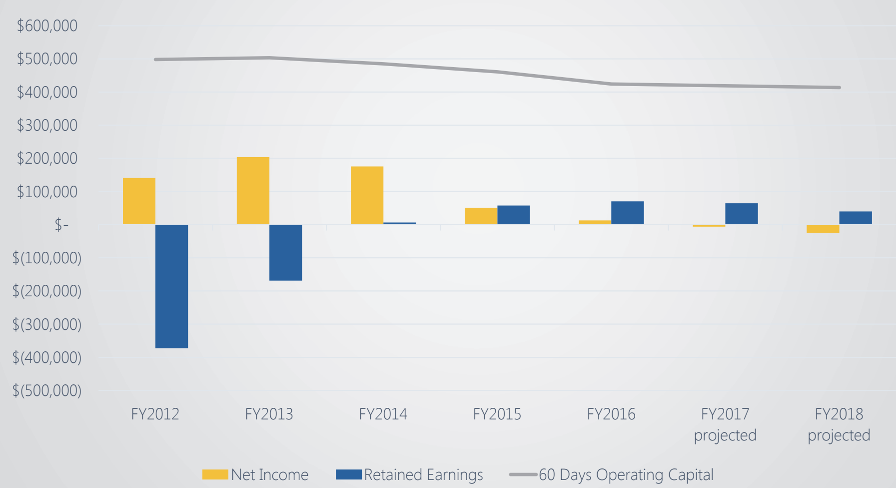
Print Services Retained Earnings



UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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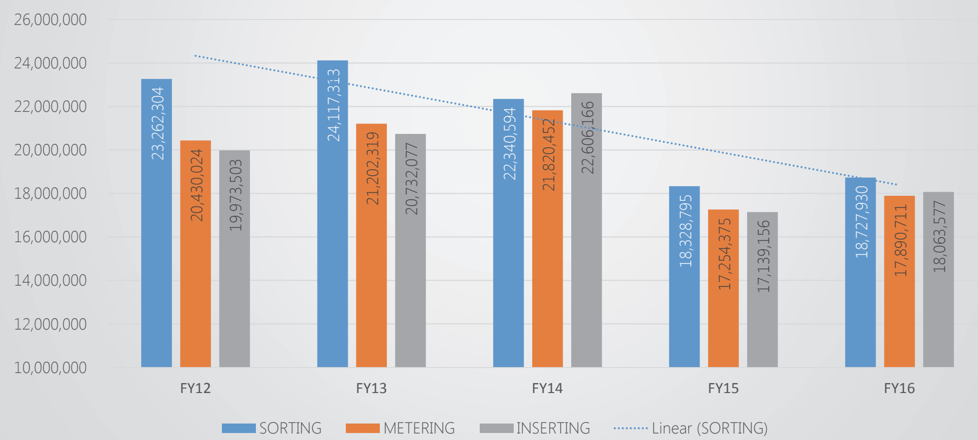
State Mail and Distribution Services

Mail volumes have been declining. The three services which contribute the most income have seen a decline in volumes from 2% to 10%.



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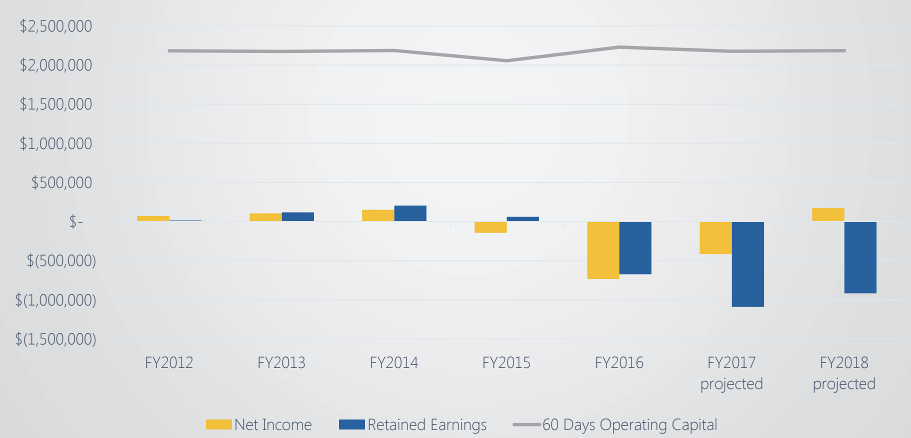
State Mail Retained Earnings

FY2016 had a net income loss of ($734,378)



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How We're Solving the Problem

Independent Auditor

"The current rate system does not reflect the true costs of the services being provided."

State Mail is working to adjust its current work model, cost structure, rate fees and adding transparency

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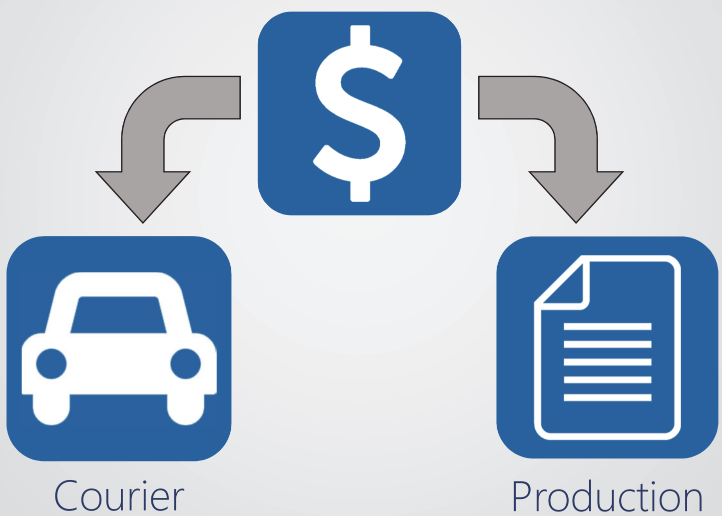
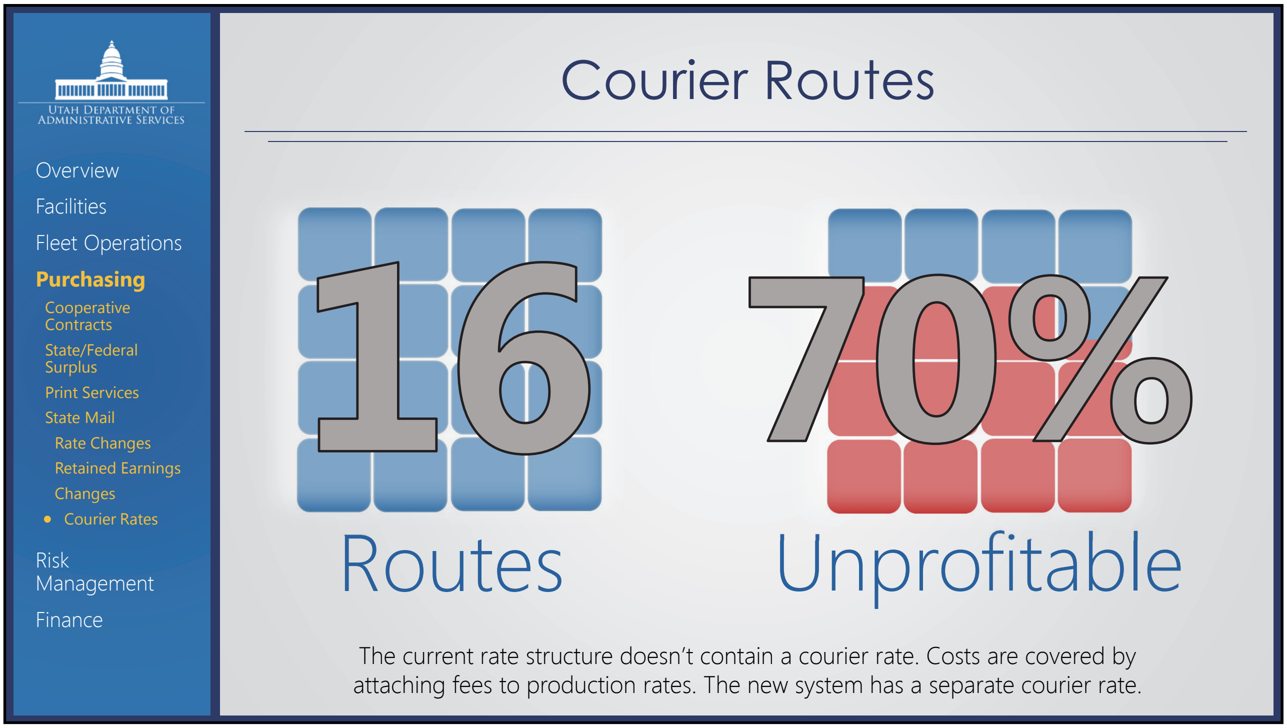
Costs and Rates will be separated into two structures




UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES
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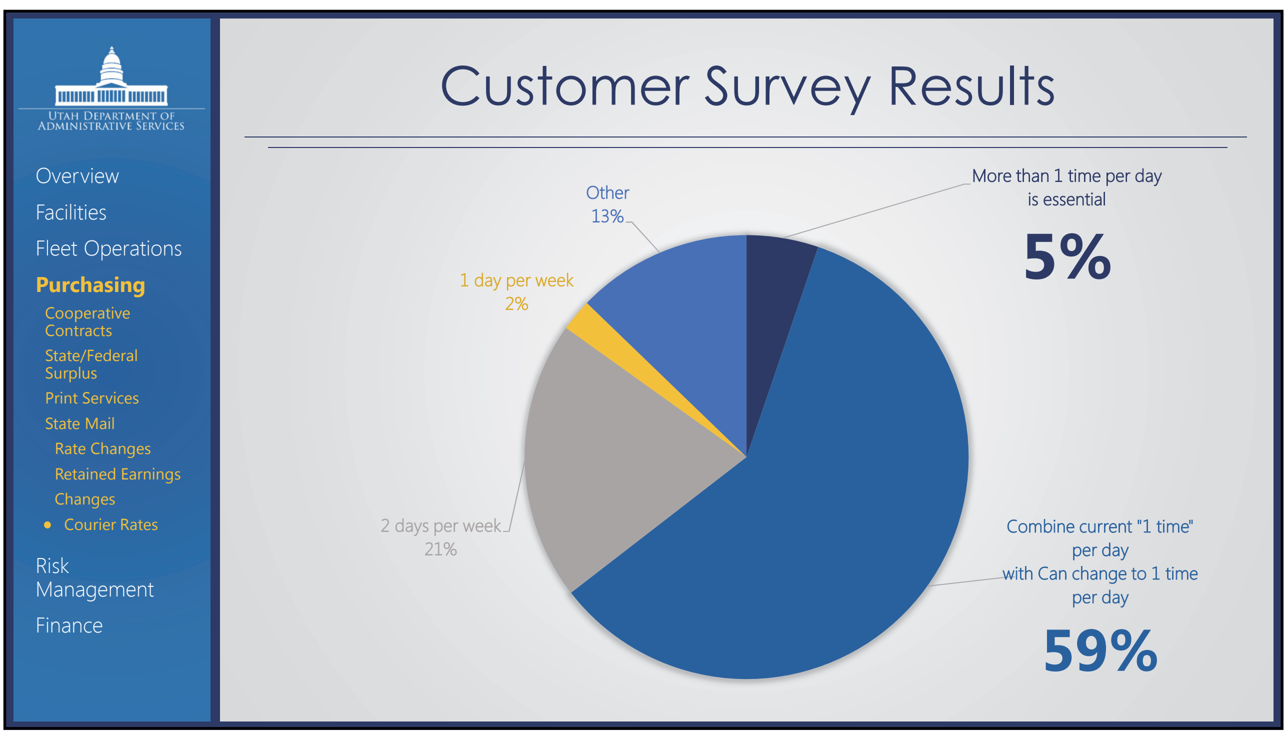
Courier Rates
Risk Management
Finance
Courier Routes
16
Routes
70%
Unprofitable
The current rate structure doesn't contain a courier rate. Costs are covered by attaching fees to production rates. The new system has a separate courier rate.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Customer Survey Results
Other 13%
1 day per week 2%
2 days per week 21%
More than 1 time per day is essential
5%
Combine current "1 time" per day with Can change to 1 time per day
59%

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Route Reduction Savings

Current Routes

16

Future Routes

10

Reducing stops will allow us to reduce our routes and the number of vans used to deliver the mail

$302,400

in savings

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New Courier Rate Structure

12 Zones

$ Mileage Rate

$ Minute Rate

Mileage Rate + Minute Rate = Zone Rate per Stop

- Leasing Costs
- Fuel, Maintenance and Insurance
- Average distance between State Mail and a stop within a zone.

- Courier Wage and Benefits
- Admin & Overhead Costs
- Average time it takes to go from State Mail to a stop within a zone.

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New Courier Rate Structure

ZONE	RANGE	COST		PER STOP
#	IN MILES	MILES	MINUTES	RATE
1	0.0 - 2.9	$ 0.60	$ 1.66	$ 2.26
2	3.0 - 5.9	$ 1.60	$ 3.88	$ 5.48
3	6.0 - 10.9	$ 3.20	$ 4.84	$ 8.04
4	11.0 - 15.9	$ 5.20	$ 4.50	$ 9.70
5	16.0 - 20.9	$ 7.20	$ 7.15	$ 14.35
6	21.0 - 25.9	$ 9.20	$ 8.59	$ 17.79
7	26.0 - 30.9	$ 11.20	$ 10.53	$ 21.73
8	31.0 - 35.9	$ 13.20	$ 13.22	$ 26.42
9	36.0 - 40.9	$ 15.20	$ 13.29	$ 28.49
10	41.0 - 45.9	$ 17.20	$ 16.02	$ 33.22
11	46.0 - 50.9	$ 19.20	$ 16.82	$ 36.02
12	51.0 - 55.9	$ 21.20	$ 18.67	$ 39.87

Cost Per Mile:	$ 0.40
Cost Per Minute:	$ 0.35

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New Courier Rate Structure

Need to recapture $630,000 annually

ZONE 3				
DEPT	ADDRESS	PER STOP	SHARED	2ND STOP
A.G. Office	5272 College Dr	$ 8.04	$ 1.34	$ -
A.G. Office	5272 College Dr	$ 8.04	$ 1.34	$ -
A.G. Office	5272 College Dr	$ 8.04	$ 1.34	$ 2.68
A.G. Office	5272 College Dr	$ 8.04	$ 1.34	$ -
A.G. Office	5272 College Dr	$ 8.04	$ 1.34	$ 2.68
A.G. Office	5272 College Dr	$ 8.04	$ 1.34	$ 2.68
		$ 48.24	$ 8.04	$ 8.04

Days per Year	249
Daily Courier Revenue	$ 2,646
Annual Courier Revenue	$ 668,864

New Production Rate Structure

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      - Production Rates
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We propose that we eliminate the two courier-associated fees that are tacked on to production

~~Mail Distribution $0.065~~

~~Task Distribution Rate $0.012~~

These rates generated $1,689,343 in FY2016

New Production Rate Structure

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TASK ID	DESCRIPTION	FY16 VOLUME	CURRENT	REVENUE	PROPOSED	REVENUE	DIFFERENCE	%
11	Business Reply	305,713	$ 0.090	$ 27,514	$ 0.550	$ 168,142	$ 140,628	511%
21	Special Handling	2,538	$ 50.000	$ 126,888	$ 85.000	$ 215,709	$ 88,821	70%
31	Auto Fold	13,926,128	$ 0.010	$ 139,261	$ 0.021	$ 292,449	$ 153,187	110%
39	Label Generate	1,260,807	$ 0.022	$ 27,738	$ 0.155	$ 195,425	$ 167,687	605%
40	Label Apply	292,667	$ 0.019	$ 5,561	$ 0.150	$ 43,900	$ 38,339	689%
45	Auto Tab	960,331	$ 0.016	$ 15,365	$ 0.130	$ 124,843	$ 109,478	713%
100	Meter/Seal	17,890,711	$ 0.017	$ 304,142	$ 0.024	$ 429,377	$ 125,235	41%
102	OCR	18,422,217	$ 0.017	$ 313,178	$ 0.024	$ 442,133	$ 128,956	41%
104	Accountable Mail	263,284	$ 0.180	$ 47,391	$ 1.450	$ 381,762	$ 334,371	706%
107	Additional Inserts	4,753,549	$ 0.004	$ 19,014	$ 0.010	$ 47,535	$ 28,521	150%
108	Inserting	13,310,028	$ 0.025	$ 332,751	$ 0.030	$ 399,301	$ 66,550	20%
110	Incoming OCR Sort	2,089,709	$ 0.017	$ 35,474	$ 0.103	$ 214,931	$ 179,457	506%
				$ 1,394,277		$ 2,955,507	$ 1,561,231	

New Production Rate Structure

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DISCONTINUED RATES				
103	Mail Distribution	13,028,627	$0.065	$ 846,861
105	Task Distribution	70,206,842	$0.012	$ 842,482
Revenue Needed to Make-Up for Discontinued Rates				$ 1,689,343
Anticipated Annual Net Loss				$ 500,000
New Courier Rate Schedule Revenue				$ (630,000)
Revenue Needed to Breakeven for Production Services				$ 1,559,343

Revenue Needed to Breakeven for Production Services	$ 1,559,343
New Rate Structure Revenue	$ 1,561,231

Net Income: $ 1,888

New Production Rate Structure

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State Mail Processing

1 oz. or 2 oz. - #10 Envelope		
Task Description	Current	Proposed
Fold	$ 0.010	$ 0.021
Insert	$ 0.025	$ 0.030
Meter/Seal	$ 0.017	$ 0.024
OCR/Sort	$ 0.017	$ 0.024
Mail Distribution	$ 0.065	$ -
Task Distribution	$ 0.012	$ -
Task Distribution	$ 0.012	$ -
Task Distribution	$ 0.012	$ -
Task Distribution	$ 0.012	$ -
Additional Postage	$ 0.015	$ -
USPS Postage	$ 0.376	$ 0.376
TOTAL COST	$ 0.573	$ 0.475

Savings over current fees

$0.098

Agency Mail Processing

1 oz. - #10 Envelope	2 oz. - #10 Envelope
Full-price Mail	Full-price Mail
Does not include costs agency would still need to pay their employees to fold, insert, and apply postage.	
$ -	$ -
$ -	$ -
$ -	$ -
$ -	$ -
$ -	$ -
$ -	$ -
$ -	$ -
$ 0.470	$ 0.680
$ 0.470	$ 0.680

Additional Postage Costs

($0.001)	$0.209

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

Overview

Facilities

Fleet Operations

Purchasing

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- State Mail
- Rate Committee Action

Risk Management

Finance

Purchasing and General Services Rate Committee Action

Requsted Actions

Action	Slide Number
Restructure State Mail rates	55 & 59
Approve all other existing rates	

Contract rebates	
Automated Payables (per Invoice Page)	0.25
UDOT	Actual cost
STATE DEBT COLLECTION FUND	
Attorney / Legal fee	$100 per hour
Office of State Debt Collection	
Collection Penalty	6.0%
Labor Commission Wage Claim Attorney Fees	
Labor Commission Wage Claims	Variable
10% of partial payments; 1/3 of claim or $500, whichever is greater for full payments	
Collection Interest	Prime + 2%
Post Judgment Interest	Variable
Administrative Collection	18%
18% of amount collected (21.95% effective rate)	
Non sufficient Check Collection	20.00
Non sufficient Check Service Charge	20.00
Garnishment Request	Actual cost
Legal Document Service	Actual Cost
Greater of $20 or Actual	
Credit card processing fee charged to collection vendors	1.75%
Court Filing, Deposition/Transcript /Skip Tracing	Actual cost
DEPARTMENT OF ADMINISTRATIVE SERVICES INTERNAL SERVICE FUNDS	
DIVISION OF FINANCE	
ISF - Purchasing Card	
Purchasing Card	Variable
Contract rebates	
ISF - Consolidated Budget and Accounting	
Basic Accounting and Transactions (per hour)	36.00
Financial Management (per hour)	65.00
DIVISION OF PURCHASING AND GENERAL SERVICES	
ISF - Central Mailing	
Business Reply/Postage Due	0.09
Special Handling/Labor (per hour)	50.00
Auto Fold	0.01
Label Generate	0.022
Label Apply	0.019

Auto Tab	0.016
Meter/Seal	0.017
Federal Meter/Seal	0.014
Optical Character Reader	0.017
Mail Distribution (per Mail Piece)	0.065
Accountable Mail	0.18
Task Distribution Rate	0.012
Additional Insert	0.004
Intelligent Inserting	0.025
ISF - Cooperative Contracting	
Cooperative Contracts Administrative	Up to 1.0%
ISF - Print Services	
Contract Management (per impression)	0.005
Self Service Copy Rates	0.004
Cost computed by: (Depreciation + Maintenance + Supplies)/Impressions + copy multiplied impressions results	
ISF - State Surplus Property	
Surplus	
Surcharge for use of a Financial Transaction Card	3% of purchase amount
Surcharge applies only to the amount charged to a financial transaction card	
Online Sales Non-Vehicle	50% of net proceeds
Miscellaneous Property Pick-up Process	
State Agencies	
Total Sales Proceeds	See formula
Less prorated rebate of retained earnings	
Handheld Devices (PDAs and wireless phones)	
Less than 1 year old	75% of actual cost
$30 minimum	
1 year and older	50% of cost - $30 minimum
Unique Property Processing	Negotiated % of sales price
Electronic/Hazardous Waste Recycling	Actual cost
Vehicles and Heavy Equipment	6.5% of Net Sale Price plus $100 per Vehicle
Default Auction Bids	10% of sales price
Labor (per hour)	26.00
Half hour minimum	
Copy Rates (per copy)	0.10

Semi Truck and Trailer Service (per mile)	1.08
Two-ton Flat Bed Service (per mile)	0.61
Forklift Service (per hour)	23.00
4-6000 lbs	
On-site sale away from Utah State Agency Surplus Property yard	7% of net sale price
Storage	
Building (per cubic foot per month)	0.43
Fenced lot (per square foot per month)	0.23
Accounts receivable late fees	
Past 30 days	5% of balance
Past 60 days	10% of balance
ISF - Federal Surplus Property	
Surplus	
Federal Shipping and handling charges	See formula
Not to exceed 20% of federal acquisition cost plus freight/shipping charges	
Accounts receivable late fees	
Past 30 days	5% of balance
Past 60 days	10% of balance
DIVISION OF FLEET OPERATIONS	
ISF - Motor Pool	
Telematics GPS tracking	Actual cost
Commercial Equipment Rental	Cost plus $12 Fee
Administrative Fee for Do-Not Replace Vehicles (per Month)	51.29
Service Fee (per 12)	$12 Service Fee
General MP Info Research Fee (per 12)	$12 Per Hour
Lost or damaged fuel/maint card replacement fee (per 2)	$2 Fee
Vehicle Complaint Processing Fee (per 20)	$20 Fee
Operator negligence and vehicle abuse fees (per 0)	Varies (abuse or driver neglect cases only)
Lease Rate	
Sedans (per month, per vehicle)	See formula
Model Year 2013 contract price less 18% salvage value divided by current adjusted life cycle + admin fee + fleet MIS fee + AFV fee (if light duty) + mileage fee.)	
Select trucks, vans, SUVs (per month, per vehicle)	See formula
Model Year 2013 contract price less 21% salvage value divided by current adjusted life cycle + admin fee + fleet MIS fee + AFV fee (if light duty) +	

Proforma Financial Statements
Cooperative Contracts

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	2,275,663	3,396,752	3,734,999	2,678,738	2,131,602	2,013,002	1,853,130	1,651,160
ACCOUNTS RECEIVABLE	655,285	767,417	602,663	840,290	1,035	1,035	1,035	1,035
DUE FROM OTHER FUNDS	225	0	0	0	0	0	0	0
INVENTORIES	0	0	0	0	0	0	0	0
PREPAID EXPENSES	0	2,991	0	0	0	0	0	0
TOTAL CURRENT ASSETS	**2,931,173**	**4,167,160**	**4,337,662**	**3,519,028**	**2,132,637**	**2,014,037**	**1,854,165**	**1,652,195**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
SOFTWARE					1,095,412	1,095,412	1,095,412	1,095,412
ACCUMULATED DEPRECIATION					(59,260)	(409,260)	(759,260)	(1,095,412)
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**1,036,152**	**686,152**	**336,152**	**0**
TOTAL ASSETS	**2,931,173**	**4,167,160**	**4,337,662**	**3,519,028**	**3,168,789**	**2,700,189**	**2,190,317**	**1,652,195**
LIABILITIES & FUND EQUITY								
ACCOUNTS PAYABLE & ACCRUED LIABILITIES	64,103	410,324	244,248	384,745	143,144	143,144	143,144	143,144
DEFERRED REVENUE	0	0	0	0	0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)	0	0	0	0	0	0	0	0
DUE TO OTHER FUNDS	1,932	13,109	33,151	39,648	68,407	68,407	68,407	68,407
POLICY CLAIMS LIABILITIES - SHORT TERM	0	0	0	0	0	0	0	0
CAPITAL LEASE PAYABLE-SHORT TERM	0	0	0	0	0	0	0	0
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**66,035**	**423,433**	**277,399**	**424,393**	**211,551**	**211,551**	**211,551**	**211,551**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL LIABILITIES	**66,035**	**423,433**	**277,399**	**424,393**	**211,551**	**211,551**	**211,551**	**211,551**
CONTRIBUTED CAPITAL	0	0	0	0	0	0	0	0
RETAINED EARNINGS	2,865,138	3,743,727	4,060,263	3,094,635	2,957,238	2,488,638	1,978,766	1,440,644
TOTAL FUND EQUITY / NET ASSETS	**2,865,138**	**3,743,727**	**4,060,263**	**3,094,635**	**2,957,238**	**2,488,638**	**1,978,766**	**1,440,644**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**2,931,173**	**4,167,160**	**4,337,662**	**3,519,028**	**3,168,789**	**2,700,189**	**2,190,317**	**1,652,195**
	0	0	(0)	(0)	(0)	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**2,220,591**	**3,192,993**	**2,882,027**	**3,509,397**	**2,825,089**	**2,825,089**	**2,825,089**	**2,825,089**
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**2,220,591**	**3,192,993**	**2,882,027**	**3,509,397**	**2,825,089**	**2,825,089**	**2,825,089**	**2,825,089**
PERSONAL SERVICES	603,900	1,617,831	1,757,454	2,023,455	2,023,147	2,063,610	2,104,882	2,146,980
TRAVEL EXPENSE	4,353	5,600	7,098	6,938	9,890	9,890	9,890	9,890
CURRENT EXPENSE	194,084	351,581	536,682	626,887	419,118	419,118	419,118	419,118
CURRENT EXPENSE - DATA PROCESSING	4,074	73,294	64,279	92,743	73,903	73,903	73,903	73,903
DEPRECIATION EXPENSE	0	0			59,260	350,000	350,000	336,152
OTHER EXPENSES	4,946	9,016	8,953	5,867	377,168	377,168	377,168	377,168
TOTAL OPERATING EXPENSES	**811,357**	**2,057,322**	**2,374,466**	**2,755,890**	**2,962,486**	**3,293,689**	**3,334,961**	**3,363,211**
TOTAL OPERATING INCOME (LOSS)	**1,409,234**	**1,135,671**	**507,561**	**753,507**	**(137,397)**	**(468,600)**	**(509,872)**	**(538,122)**
GAIN (LOSS) ON SALE OF FIXED ASSETS								
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS / OTHER INCOME				180,865				
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT		(257,082)	(91,025)					
OPERATING TRANSFERS IN (OUT)			(100,000)	(1,900,000)				
NET INCOME (LOSS)	**1,409,234**	**878,589**	**316,536**	**(965,628)**	**(137,397)**	**(468,600)**	**(509,872)**	**(538,122)**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**710,172**	**2,275,663**	**3,396,752**	**3,734,999**	**2,678,738**	**2,131,602**	**2,013,002**	**1,853,130**
Total Cash from Sales	2,220,591	3,192,993	3,046,781	3,271,770	3,664,344	3,175,089	3,175,089	3,100,089
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources	156,257							
TOTAL SOURCES OF CASH	**2,376,848**	**3,192,993**	**3,046,781**	**3,271,770**	**3,664,344**	**3,175,089**	**3,175,089**	**3,100,089**
Cash Used for Operations	(811,357)	(2,057,322)	(2,517,509)	(2,428,031)	(3,116,068)	(3,293,689)	(3,334,961)	(3,302,059)
Payments for Capital Assets				0	(1,095,412)	0	0	0
State Appropriations			(100,000)	(1,900,000)				
Other Uses		(14,582)	(91,025)	-				
TOTAL USES OF CASH	**(811,357)**	**(2,071,904)**	**(2,708,534)**	**(4,328,031)**	**(4,211,480)**	**(3,293,689)**	**(3,334,961)**	**(3,302,059)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**2,275,663**	**3,396,752**	**3,734,999**	**2,678,738**	**2,131,602**	**2,013,002**	**1,853,130**	**1,651,160**
	2,275,663	3,396,752	3,734,999	2,678,738	2,131,602	2,013,002	1,853,130	1,651,160
	0	0	0	0	0	0	0	0

Proforma Financial Statements
State Surplus Property

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	337,052	380,682	118,105	0	23,736	0	0	0
ACCOUNTS RECEIVABLE	9,556	9,556	0	0	0	0	0	0
DUE FROM OTHER FUNDS	66,463	60,121	33,689	15,311	(3,944)	0	0	0
INVENTORIES	0	0	0	0	0	0	0	0
PREPAID EXPENSES	0	0	0	0	0	0	0	0
TOTAL CURRENT ASSETS	**413,071**	**450,359**	**151,794**	**15,311**	**19,792**	**0**	**0**	**0**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM			21,470	14,445	8,962			
TOTAL OTHER ASSETS	**0**	**0**	**21,470**	**14,445**	**8,962**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS	0	0						
CONSTRUCTION IN PROGRESS	0	0						
BUILDINGS AND IMPROVEMENTS	1,202,035	1,202,035	1,202,035	1,202,035	1,202,035	1,202,035	1,202,035	1,202,035
MACHINERY AND EQUIPMENT	114,456	29,433	34,720	34,720	34,720	34,720	34,720	34,720
SOFTWARE		85,023	85,023	85,023	85,023	85,023	85,023	85,023
ACCUMULATED DEPRECIATION	(519,139)	(554,305)	(589,733)	(625,162)	(658,612)	(691,666)	(723,924)	(753,965)
TOTAL CAPITAL ASSETS	**797,352**	**762,186**	**732,045**	**696,616**	**663,166**	**630,112**	**597,854**	**567,813**
TOTAL ASSETS	**1,210,423**	**1,212,545**	**905,309**	**726,372**	**691,920**	**630,112**	**597,854**	**567,813**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	10,536	23,726	10,368	24,240	14,846	10,000	10,000	10,000
ACCRUED LIABILITIES	21,686	17,853	15,844	1,900	6,004	10,000	10,000	10,000
DEFERRED REVENUE	16,216	0	0	77,167	112,789	100,000	100,000	100,000
INTERFUND LOAN (Short Term Cash Deficit)	0	0		0	0	32,258	30,041	30,041
DUE TO OTHER FUNDS	31,705	53,677	63,870	5,807	93,450	60,000	60,000	60,000
POLICY CLAIMS LIABILITIES - SHORT TERM	0	0	0	0	0	0	0	0
CAPITAL LEASE PAYABLE-SHORT TERM		90,764	97,000	99,078	100,926	100,000	50,000	0
REVENUE BONDS - SHORT TERM	79,909	0	0	0	0	0	0	0
TOTAL CURRENT LIABILITIES	**160,052**	**186,020**	**187,082**	**208,192**	**328,015**	**312,258**	**260,041**	**210,041**
REVENUE BONDS - LONG TERM	508,399	424,634	353,061	250,211	146,793	50,000	0	0
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)	0	0	0	22,941	0	64,796	140,013	153,013
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**508,399**	**424,634**	**353,061**	**273,152**	**146,793**	**114,796**	**140,013**	**153,013**
TOTAL LIABILITIES	**668,451**	**610,654**	**540,143**	**481,344**	**474,808**	**427,054**	**400,054**	**363,054**
CONTRIBUTED CAPITAL	17,092	17,092	17,092	17,092	17,092	17,092	17,092	17,092
RETAINED EARNINGS	524,880	584,799	348,074	227,936	200,020	185,966	180,708	187,667
TOTAL FUND EQUITY / NET ASSETS	**541,972**	**601,891**	**365,166**	**245,028**	**217,112**	**203,058**	**197,800**	**204,759**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**1,210,423**	**1,212,545**	**905,309**	**726,372**	**691,920**	**630,112**	**597,854**	**567,813**
	0	0	(0)	(0)	(0)	(0)	(0)	(0)
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**1,028,512**	**821,952**	**528,571**	**429,510**	**518,515**	**536,000**	**546,000**	**556,000**
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**1,028,512**	**821,952**	**528,571**	**429,510**	**518,515**	**536,000**	**546,000**	**556,000**
PERSONAL SERVICES	477,538	393,559	268,288	256,304	284,345	295,000	300,000	305,000
TRAVEL EXPENSE	1,287	176	0	0	441	0	0	0
CURRENT EXPENSE	158,281	250,749	303,546	162,867	163,831	160,000	160,000	160,000
CURRENT EXPENSE - DATA PROCESSING	57,478	53,301	55,100	79,572	50,476	50,000	50,000	50,000
DEPRECIATION EXPENSE	34,371	35,165	35,429	35,429	33,450	33,054	32,258	30,041
OTHER EXPENSES	2,024	3,893	4,510	3,914	3,708	4,000	4,000	4,000
TOTAL OPERATING EXPENSES	**730,979**	**736,843**	**666,873**	**538,086**	**536,251**	**542,054**	**546,258**	**549,041**
TOTAL OPERATING INCOME (LOSS)	**297,533**	**85,109**	**(138,302)**	**(108,576)**	**(17,736)**	**(6,054)**	**(258)**	**6,959**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME								
INTEREST EXPENSE	(30,065)	(25,190)	(18,423)	(11,562)	(9,350)	(8,000)	(5,000)	0
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT					(830)			
OPERATING TRANSFERS IN (OUT)			(80,000)					
NET INCOME (LOSS)	**267,468**	**59,919**	**(236,725)**	**(120,138)**	**(27,916)**	**(14,054)**	**(5,258)**	**6,959**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**116,502**	**337,052**	**380,682**	**118,105**	**(22,941)**	**23,736**	**(97,054)**	**(170,054)**
Total Cash from Sales	1,028,512	821,952	564,559	525,055	573,392	519,267	546,000	556,000
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources								
TOTAL SOURCES OF CASH	**1,028,512**	**821,952**	**564,559**	**525,055**	**573,392**	**519,267**	**546,000**	**556,000**
Cash Used for Operations	(696,608)	(701,678)	(741,847)	(666,101)	(525,885)	(640,057)	(619,000)	(569,000)
Payments for Capital Assets				0	0	0	0	0
State Appropriations								
Other Uses	(111,354)	(76,644)	(85,289)	-	(830)	-	-	-
TOTAL USES OF CASH	**(807,962)**	**(778,322)**	**(827,136)**	**(666,101)**	**(526,715)**	**(640,057)**	**(619,000)**	**(569,000)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**337,052**	**380,682**	**118,105**	**(22,941)**	**23,736**	**(97,054)**	**(170,054)**	**(183,054)**
	337,052	380,682	118,105	(22,941)	23,736	(97,054)	(170,054)	(183,054)
	0	0	0	0	0	0	0	0

Proforma Financial Statements
Federal Surplus Property

BALANCE SHEET

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
ASSETS								
CASH & CASH EQUIVALENTS	6,361	17,020	73,974	88,153	81,573	79,032	70,532	61,032
ACCOUNTS RECEIVABLE	6,534	0	0	2,602	4,860	0	0	0
DUE FROM OTHER FUNDS	35	6,534	0	0	0	0	0	0
INVENTORIES	0	0	0	0	0	0	0	0
PREPAID EXPENSES	0	0	0	0	0	0	0	0
TOTAL CURRENT ASSETS	**12,930**	**23,554**	**73,974**	**90,755**	**86,433**	**79,032**	**70,532**	**61,032**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
ACCUMULATED DEPRECIATION	(12,833)	(19,833)	(26,833)	(33,833)	(35,000)	(35,000)	(35,000)	(35,000)
TOTAL CAPITAL ASSETS	**22,167**	**15,167**	**8,167**	**1,167**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**35,097**	**38,721**	**82,141**	**91,922**	**86,433**	**79,032**	**70,532**	**61,032**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	910	27	215	225	(50)	50	50	50
ACCRUED LIABILITIES	351	1,040	0	0	0	0	0	0
DEFERRED REVENUE		0	0	0	0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)		0	0	0	0	0	0	0
DUE TO OTHER FUNDS		763	1	2	1	0	0	0
POLICY CLAIMS LIABILITIES - SHORT TERM		0	0	0	0	0	0	0
CAPITAL LEASE PAYABLE-SHORT TERM		0	0	0	0	0	0	0
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**1,261**	**1,830**	**216**	**227**	**(49)**	**50**	**50**	**50**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL LIABILITIES	**1,261**	**1,830**	**216**	**227**	**(49)**	**50**	**50**	**50**
CONTRIBUTED CAPITAL	84,662	84,662	84,662	84,662	84,662	84,662	84,662	84,662
RETAINED EARNINGS	(50,826)	(47,771)	(2,737)	7,033	1,820	(5,680)	(14,180)	(23,680)
TOTAL FUND EQUITY / NET ASSETS	**33,836**	**36,891**	**81,925**	**91,695**	**86,482**	**78,982**	**70,482**	**60,982**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**35,097**	**38,721**	**82,141**	**91,922**	**86,433**	**79,032**	**70,532**	**61,032**
	0	0	0	0	0	0	0	0

INCOME STATEMENT

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
TOTAL OPERATING REVENUES (before proposed rate impacts)	**46,057**	**27,584**	**73,251**	**37,946**	**20,563**	**30,000**	**30,000**	**30,000**
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**46,057**	**27,584**	**73,251**	**37,946**	**20,563**	**30,000**	**30,000**	**30,000**
PERSONAL SERVICES	7,098	2,580	2,707	2,580	9,399	23,000	24,000	25,000
TRAVEL EXPENSE	392	0						
CURRENT EXPENSE	24,500	11,825	11,211	12,888	14,144	14,000	14,000	14,000
CURRENT EXPENSE - DATA PROCESSING	9,822	3,124	7,299	5,708	377	500	500	500
DEPRECIATION EXPENSE	7,000	7,000	7,000	7,000	1,167	0	0	0
OTHER EXPENSES	0	0			689			
TOTAL OPERATING EXPENSES	**48,812**	**24,529**	**28,217**	**28,176**	**25,776**	**37,500**	**38,500**	**39,500**
TOTAL OPERATING INCOME (LOSS)	**(2,755)**	**3,055**	**45,034**	**9,770**	**(5,213)**	**(7,500)**	**(8,500)**	**(9,500)**
GAIN (LOSS) ON SALE OF FIXED ASSETS	0	0						
INTEREST INCOME	30							
INTEREST EXPENSE								
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**(2,725)**	**3,055**	**45,034**	**9,770**	**(5,213)**	**(7,500)**	**(8,500)**	**(9,500)**

CASH FLOW STATEMENT

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**0**	**6,361**	**17,020**	**73,974**	**88,153**	**81,573**	**79,032**	**70,532**
Total Cash from Sales	46,057	27,584	79,784	35,344	18,884	34,860	30,000	30,000
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources	2,116	604						
TOTAL SOURCES OF CASH	**48,173**	**28,188**	**79,784**	**35,344**	**18,884**	**34,860**	**30,000**	**30,000**
Cash Used for Operations	(41,812)	(17,529)	(22,830)	(21,165)	(25,464)	(37,401)	(38,500)	(39,500)
Payments for Capital Assets				0	0	0	0	0
State Appropriations								
Other Uses								
TOTAL USES OF CASH	**(41,812)**	**(17,529)**	**(22,830)**	**(21,165)**	**(25,464)**	**(37,401)**	**(38,500)**	**(39,500)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**6,361**	**17,020**	**73,974**	**88,153**	**81,573**	**79,032**	**70,532**	**61,032**
	6,361	17,020	73,974	88,153	81,573	79,032	70,532	61,032
	0	0	0	0	0	0	0	0

Proforma Financial Statements
Print Services

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	0	0	0	0	0			
ACCOUNTS RECEIVABLE	73,081	100,462	78,131	50,975	26,755	26,755	26,755	26,755
DUE FROM OTHER FUNDS	286,536	324,117	279,971	221,892				
INVENTORIES	0	0	0	0	205,250	205,250	205,250	205,250
PREPAID EXPENSES	26,375	49,251	4,688	0	0	0	0	0
TOTAL CURRENT ASSETS	**385,992**	**473,830**	**362,790**	**272,867**	**232,005**	**232,005**	**232,005**	**232,005**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS	0	0	0					
CONSTRUCTION IN PROGRESS	0	0	0					
BUILDINGS AND IMPROVEMENTS	15,394	15,394	15,394	15,394	15,394	15,394	15,394	15,394
MACHINERY AND EQUIPMENT	10,016,966	10,209,262	10,514,561	10,060,470	9,895,420	9,730,370	9,565,320	10,514,561
ACCUMULATED DEPRECIATION	(7,466,652)	(7,293,981)	(8,049,704)	(7,657,166)	(7,566,006)	(7,474,846)	(7,383,686)	(7,400,000)
TOTAL CAPITAL ASSETS	**2,565,708**	**2,930,675**	**2,480,250**	**2,418,698**	**2,344,808**	**2,270,918**	**2,197,028**	**3,129,954**
TOTAL ASSETS	**2,951,700**	**3,404,505**	**2,843,040**	**2,691,565**	**2,576,813**	**2,502,923**	**2,429,033**	**3,361,959**
LIABILITIES & FUND EQUITY								
ACCOUNTS PAYABLE & ACCRUED LIABILITIES	239,785	536,010	304,886	330,738	140,505	140,505	140,505	140,505
DEFERRED REVENUE	0	0	0	0	0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)	1,428,799	1,376,490	876,073	647,762	710,562	642,699	593,491	1,565,400
DUE TO OTHER FUNDS	337	5,491	55	86	75	0	0	0
POLICY CLAIMS LIABILITIES - SHORT TERM	0				0	0	0	0
CAPITAL LEASE PAYABLE-SHORT TERM	0	0	0	0	0	0	0	0
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**1,668,921**	**1,917,991**	**1,181,014**	**978,586**	**851,142**	**783,204**	**733,996**	**1,705,905**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL LIABILITIES	**1,668,921**	**1,917,991**	**1,181,014**	**978,586**	**851,142**	**783,204**	**733,996**	**1,705,905**
CONTRIBUTED CAPITAL	1,655,453	1,655,453	1,655,453	1,655,453	1,655,453	1,655,453	1,655,453	1,655,453
RETAINED EARNINGS	(372,674)	(168,939)	6,574	57,526	70,218	64,266	39,584	602
TOTAL FUND EQUITY / NET ASSETS	**1,282,779**	**1,486,514**	**1,662,027**	**1,712,979**	**1,725,671**	**1,719,719**	**1,695,037**	**1,656,055**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**2,951,700**	**3,404,505**	**2,843,041**	**2,691,565**	**2,576,813**	**2,502,923**	**2,429,033**	**3,361,960**
	0	0	0	(0)	(0)	(0)	(0)	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**3,098,124**	**3,160,140**	**3,053,590**	**2,807,257**	**2,547,531**	**2,497,531**	**2,447,531**	**2,397,531**
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**3,098,124**	**3,160,140**	**3,053,590**	**2,807,257**	**2,547,531**	**2,497,531**	**2,447,531**	**2,397,531**
PERSONAL SERVICES	247,353	185,173	190,364	207,893	217,175	221,519	225,949	225,949
TRAVEL EXPENSE	1,089	1,460	1,908	1,503	2,121	2,121	2,121	2,121
CURRENT EXPENSE	1,218,223	1,417,673	1,327,086	1,246,523	1,105,053	1,105,053	1,105,053	1,105,053
CURRENT EXPENSE - DATA PROCESSING	4,175	2,713	4,038	1,860	2,027	2,027	2,027	2,027
DEPRECIATION EXPENSE	1,470,697	1,379,995	1,357,271	1,280,148	1,194,014	1,158,314	1,122,614	1,086,914
OTHER EXPENSES	46,233	33,812	30,275	28,408	24,055	24,055	24,055	24,055
TOTAL OPERATING EXPENSES	**2,987,770**	**3,020,826**	**2,910,942**	**2,766,335**	**2,544,445**	**2,513,089**	**2,481,819**	**2,446,119**
TOTAL OPERATING INCOME (LOSS)	**110,354**	**139,314**	**142,648**	**40,922**	**3,086**	**(15,558)**	**(34,288)**	**(48,588)**
GAIN (LOSS) ON SALE OF FIXED ASSETS	30,528	64,421	32,865	10,030	9,606	9,606	9,606	9,606
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**140,882**	**203,735**	**175,513**	**50,952**	**12,692**	**(5,952)**	**(24,682)**	**(38,982)**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**(1,648,832)**	**(1,428,799)**	**(1,376,490)**	**(876,073)**	**(647,762)**	**(710,562)**	**(642,699)**	**(593,491)**
Total Cash from Sales	3,098,124	3,160,140	3,120,067	2,892,493	2,793,643	2,533,231	2,518,931	2,128,609
Capital Asset Disposal Proceeds	0	0	47,639	41,744	20,224	20,224	20,224	20,224
Federal Grants								
State Appropriations								
Other Sources		281,958	-	-	-			
TOTAL SOURCES OF CASH	**3,098,124**	**3,442,098**	**3,167,706**	**2,934,237**	**2,813,867**	**2,553,455**	**2,539,155**	**2,148,833**
Cash Used for Operations	(1,517,073)	(1,640,831)	(1,745,668)	(1,455,617)	(1,745,925)	(1,354,850)	(1,359,205)	(1,990,000)
Payments for Capital Assets	(1,359,388)	(1,748,958)	(921,621)	(1,250,309)	(1,130,742)	(1,130,742)	(1,130,742)	(1,130,742)
State Appropriations								
Other Uses	(1,630)							
TOTAL USES OF CASH	**(2,878,091)**	**(3,389,789)**	**(2,667,289)**	**(2,705,926)**	**(2,876,667)**	**(2,485,592)**	**(2,489,947)**	**(3,120,742)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**(1,428,799)**	**(1,376,490)**	**(876,073)**	**(647,762)**	**(710,562)**	**(642,699)**	**(593,491)**	**(1,565,400)**
	(1,428,799)	(1,376,490)	(876,073)	(647,762)	(710,562)	(642,699)	(593,491)	(1,565,400)
	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)

Proforma Financial Statements
State Mail

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	0	0	0	0	0	0	0	0
ACCOUNTS RECEIVABLE	476,109	469,702	447,107	431,813	485,435	485,435	485,435	485,435
DUE FROM OTHER FUNDS	838,028	786,833	900,322	746,286	755,267	755,267	755,267	755,267
INVENTORIES	1,066,992	902,692	1,233,721	1,259,390	1,049,009	1,049,009	1,049,009	1,049,009
PREPAID EXPENSES	151,140	163,835	200,416	209,140	0	0	0	0
TOTAL CURRENT ASSETS	**2,532,269**	**2,323,062**	**2,781,566**	**2,646,629**	**2,289,711**	**2,289,711**	**2,289,711**	**2,289,711**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM	7,968							
TOTAL OTHER ASSETS	**7,968**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS	0	0	0	0	0	0	0	0
CONSTRUCTION IN PROGRESS	0	0	0	0	0	0	0	0
BUILDINGS AND IMPROVEMENTS	161,427	161,427	161,427	161,427	161,427	161,427	161,427	161,427
MACHINERY AND EQUIPMENT	1,820,534	2,151,099	2,231,116	2,181,676	2,282,770	2,282,770	2,282,770	2,282,770
ACCUMULATED DEPRECIATION	(1,487,774)	(1,511,103)	(1,633,535)	(1,687,851)	(1,793,864)	(1,899,877)	(2,005,890)	(2,111,903)
TOTAL CAPITAL ASSETS	**494,187**	**801,423**	**759,008**	**655,252**	**650,333**	**544,320**	**438,307**	**332,294**
TOTAL ASSETS	**3,034,424**	**3,124,485**	**3,540,574**	**3,301,881**	**2,940,044**	**2,834,031**	**2,728,018**	**2,622,005**
LIABILITIES & FUND EQUITY								
ACCOUNTS PAYABLE & ACCRUED LIABILITIES	152,316	153,876	157,214	186,404	102,426	0	0	0
DEFERRED REVENUE		0	0	0	0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)	121,138	126,620	272,902	0	106,013	106,013	106,013	106,013
DUE TO OTHER FUNDS	920	20,141	728	911	1,306	0	0	0
POLICY CLAIMS LIABILITIES - SHORT TERM								
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**274,374**	**300,637**	**430,844**	**187,315**	**209,745**	**106,013**	**106,013**	**106,013**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)	2,495,936	2,454,086	2,654,110	2,803,146	3,153,257	3,567,704	3,288,091	3,057,919
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**2,495,936**	**2,454,086**	**2,654,110**	**2,803,146**	**3,153,257**	**3,567,704**	**3,288,091**	**3,057,919**
TOTAL LIABILITIES	**2,770,310**	**2,754,723**	**3,084,954**	**2,990,461**	**3,363,002**	**3,673,717**	**3,394,104**	**3,163,932**
CONTRIBUTED CAPITAL	251,509	251,509	251,509	251,509	251,509	251,509	251,509	251,509
RETAINED EARNINGS	12,605	118,253	204,111	59,911	(674,467)	(1,091,195)	(917,595)	(793,436)
TOTAL FUND EQUITY / NET ASSETS	**264,114**	**369,762**	**455,620**	**311,420**	**(422,958)**	**(839,686)**	**(666,086)**	**(541,927)**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**3,034,424**	**3,124,485**	**3,540,574**	**3,301,881**	**2,940,044**	**2,834,031**	**2,728,018**	**2,622,005**
	0	0	(0)	(0)	(0)	(0)	(0)	(0)
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**13,181,678**	**13,154,670**	**13,270,805**	**12,186,480**	**12,637,877**	**12,637,877**	**12,637,877**	**13,276,677**
Rate Impact							**638,800**	
TOTAL OPERATING REVENUES (after proposed rate impacts)	**13,181,678**	**13,154,670**	**13,270,805**	**12,186,480**	**12,637,877**	**12,637,877**	**13,276,677**	**13,276,677**
PERSONAL SERVICES	2,238,912	2,373,918	2,413,572	2,412,698	2,376,062	2,423,583	2,472,055	2,521,496
TRAVEL EXPENSE	5,643	10,576	1,524	1,015	2,539	2,539	2,539	2,539
CURRENT EXPENSE	10,664,463	10,512,337	10,522,608	9,717,390	10,812,046	10,446,875	10,446,875	10,446,875
CURRENT EXPENSE - DATA PROCESSING	25,894	32,513	32,696	69,384	52,308	52,308	52,308	52,308
DEPRECIATION EXPENSE	136,513	92,795	122,430	103,757	106,013	106,013	106,013	106,013
OTHER EXPENSES	24,502	26,883	26,767	26,436	23,287	23,287	23,287	23,287
TOTAL OPERATING EXPENSES	**13,095,927**	**13,049,022**	**13,119,597**	**12,330,680**	**13,372,255**	**13,054,605**	**13,103,077**	**13,152,518**
TOTAL OPERATING INCOME (LOSS)	**85,751**	**105,648**	**151,208**	**(144,200)**	**(734,378)**	**(416,728)**	**173,600**	**124,159**
GAIN (LOSS) ON SALE OF FIXED ASSETS	(14,914)	0						
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**70,837**	**105,648**	**151,208**	**(144,200)**	**(734,378)**	**(416,728)**	**173,600**	**124,159**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**(1,688,670)**	**(2,495,936)**	**(2,454,086)**	**(2,927,012)**	**(2,803,146)**	**(3,153,257)**	**(3,567,704)**	**(3,288,091)**
Total Cash from Sales	13,181,678	13,154,670	13,179,911	12,355,810	12,575,274	12,637,877	13,276,677	13,276,677
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources		243,437						
TOTAL SOURCES OF CASH	**13,181,678**	**13,398,107**	**13,179,911**	**12,355,810**	**12,575,274**	**12,637,877**	**13,276,677**	**13,276,677**
Cash Used for Operations	(12,959,414)	(12,956,227)	(13,299,919)	(12,231,944)	(12,824,291)	(13,052,324)	(12,997,064)	(13,046,505)
Payments for Capital Assets	(76,861)	(400,030)	(80,016)		(101,094)	0	0	0
State Appropriations								
Other Uses	(952,669)							
TOTAL USES OF CASH	**(13,988,944)**	**(13,356,257)**	**(13,379,935)**	**(12,231,944)**	**(12,925,385)**	**(13,052,324)**	**(12,997,064)**	**(13,046,505)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**(2,495,936)**	**(2,454,086)**	**(2,654,110)**	**(2,803,146)**	**(3,153,257)**	**(3,567,704)**	**(3,288,091)**	**(3,057,919)**
	(2,495,936)	(2,454,086)	(2,654,110)	(2,803,146)	(3,153,257)	(3,567,704)	(3,288,091)	(3,057,919)
	0	0	0	0	0	0	0	0

Division of Risk Management


Risk Management
Utah Department of Administrative Services


Utah Department of Administrative Services
Overview
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Fleet Operations
Purchasing
Risk Management
Finance
Risk Management Coverages
Liability
Property
Auto
Workers Compensation

Utah Department of Administrative Services

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Insurance

Traditional insurance providers and Risk Management are similar in some ways

Charge premiums for property, auto and liability

Ask questions about what's being insured

General liability exclusions from coverage

Actuary determines how much you'll pay

Utah Department of Administrative Services

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Insurance

Risk Management has some advantages over traditional insurance providers

Broader coverage for less money

Pool members share the impact of rate increases

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Rates Can Change

- Increased claims costs from the past year
- Taking on losses of other members
- When claims roll off an agency's 5-year history
- Insurance market changes

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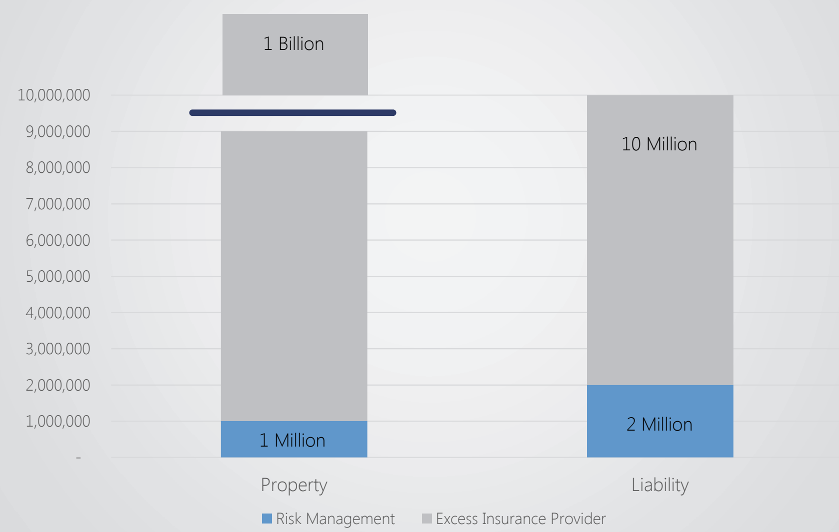
Excess Insurance



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Liability Premiums

Liability premiums will increase by $75,000 in total in FY2018

Individual entities will have increases or decreases based on loss history and risk exposure

Charter school rate will be increased from $8.00 to $9.00 per student

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Liability Premiums

FY2018 Request – Charter school fee increase

Fee	2017	2018	Increase (Decrease)
Charter School Fee	$8.00	$9.00	12.50%

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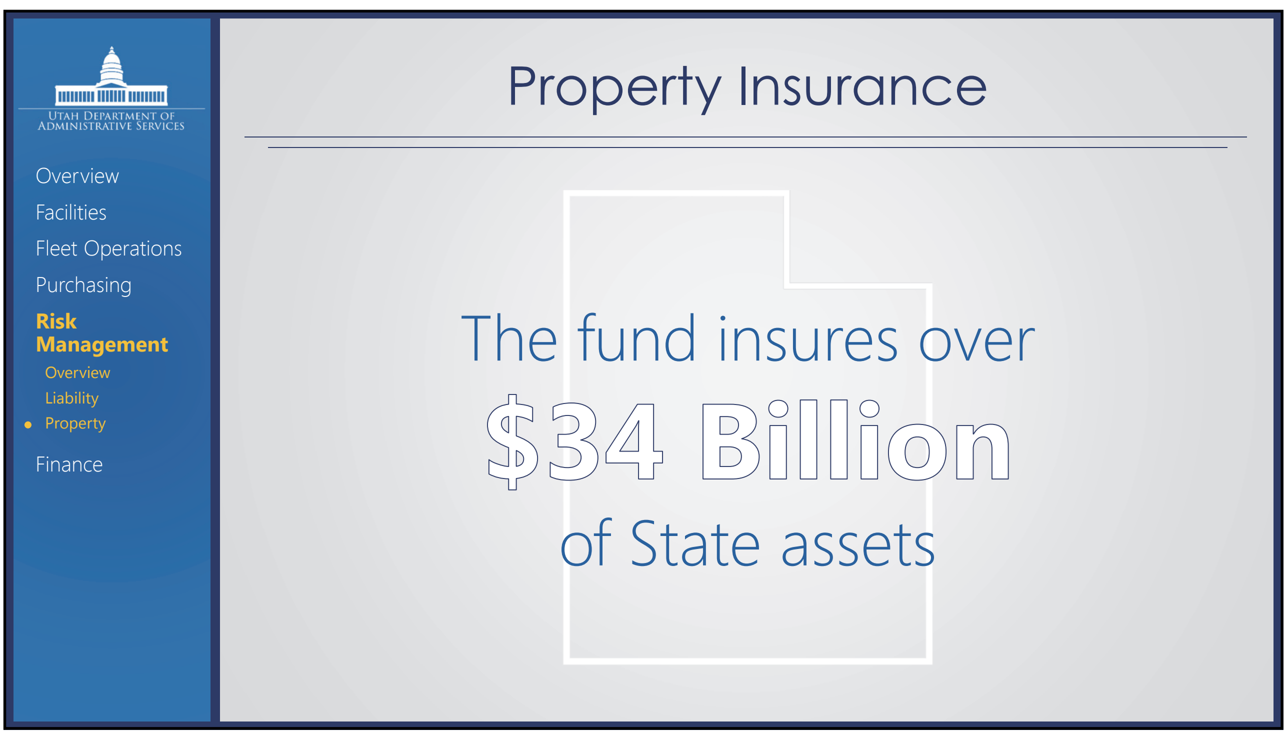
Retained Earnings
Finance
Liability Retained Earnings
$4,000,000
$3,000,000
$2,000,000
$1,000,000
$-
$(1,000,000)
$(2,000,000)
$(3,000,000)
FY2012
FY2013
FY2014
FY2015
FY2016
FY2017 projected
FY2018 projected
Net Income
Retained Earnings
60 Days Operating Capital



UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES
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Property Insurance
The fund insures over
$34 Billion
of State assets

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FLATIRON Risk Advisors Review

Asset Name	Value	Fund Premium	Market Premium	Variance % to Market
Wasatch HS	$82,240,000	$29,952	$65,792	-55%
Union Middle School	$31,760,232	$19,729	$31,760	-38%
Davis Campus Bld.	$23,965,591	$8,139	$23,966	-64%
Univ. Guest House	$18,800,236	$1,831	$18,800	-90%
Armory W. Jordan	$17,900,000	$4,803	$17,900	-73%
Whittier Elementary	$17,000,000	$2,421	$17,000	-85%
Bear Lake Rest Area	$461,999	$153	$924	-83%
W Baseball Club	$445,200	$360	$890	-59%

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Property Rate Changes

Rate Recommendation

No rate increase, but overall premiums will go up by $123,000

Valuation, square footage, and CPI changes will affect the amount of premium collected for all agencies with property coverage

Increase in total valuation is due to attribute reporting from insured entities and new construction

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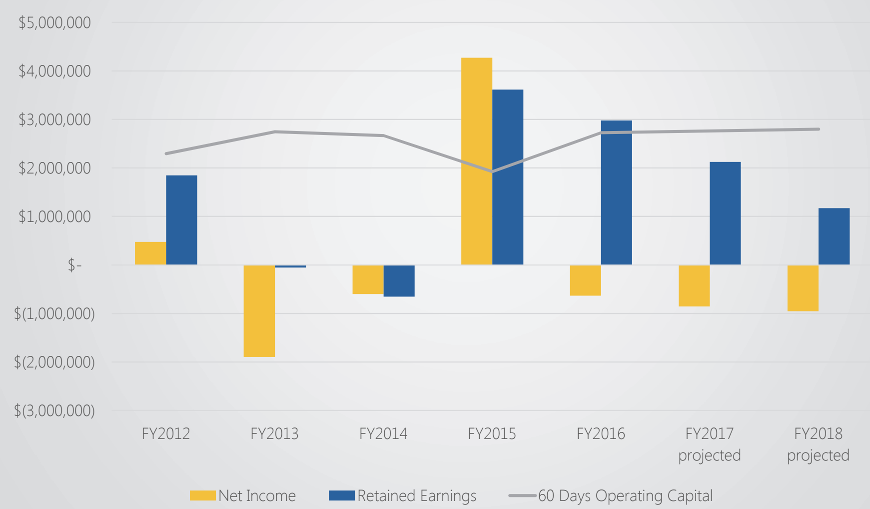
Property Retained Earnings



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FLATIRON Review of Auto Rates

Vehicle	Current Rate
Public Safety Vehicle (less than $35,000)	$175 per vehicle per year
Higher Education (less than $35,000)	$125 per vehicle per year
Other State Agency (less than $35,000)	$150 per vehicle per year
School Bus	$200 per vehicle per year
School District (less than $35,000)	$50 per vehicle per year
Vehicle Valued Above $35,000	.80 per $100/value per year
Other Vehicles: State and Higher Ed	$75 per vehicle per year
Other Vehicles: School District	$50 per vehicle per year

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

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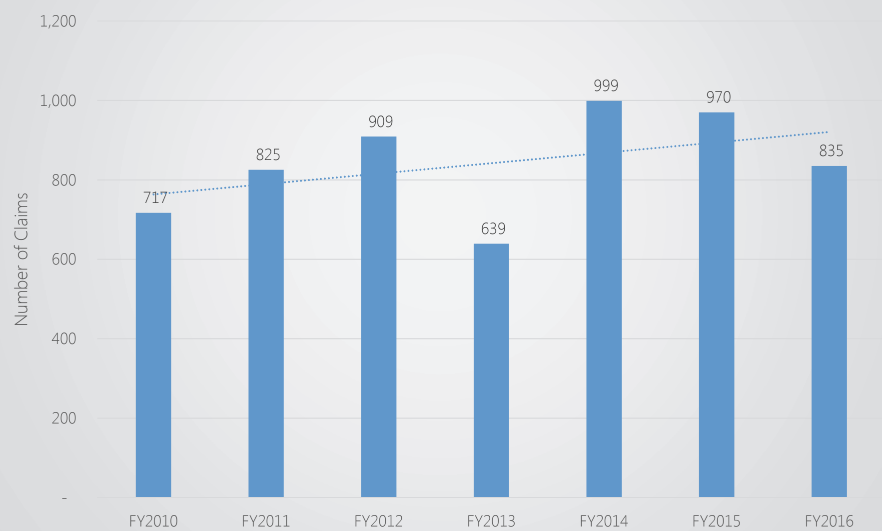
Auto Accidents



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Vehicle Premiums

Rate Recommendation

No rate changes

$1,500	$750
Authorized rate	Risk charges

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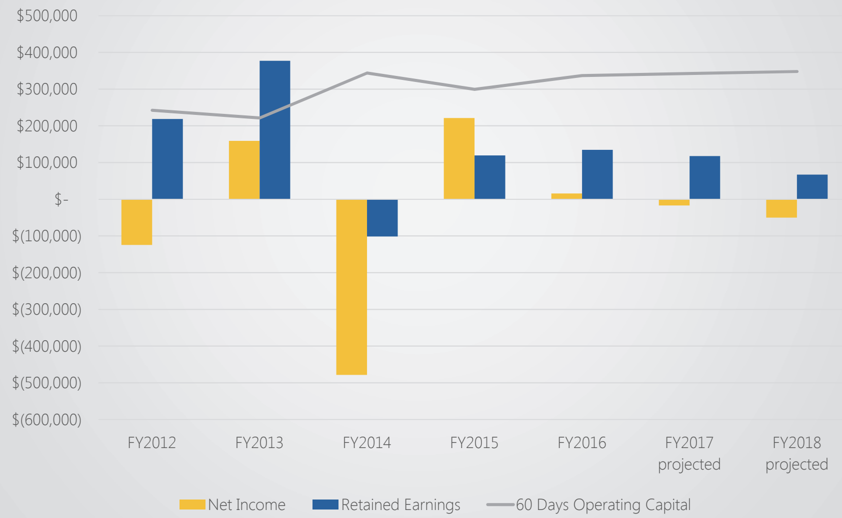
Auto Retained Earnings



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Workers Compensation

Rate Recommendation

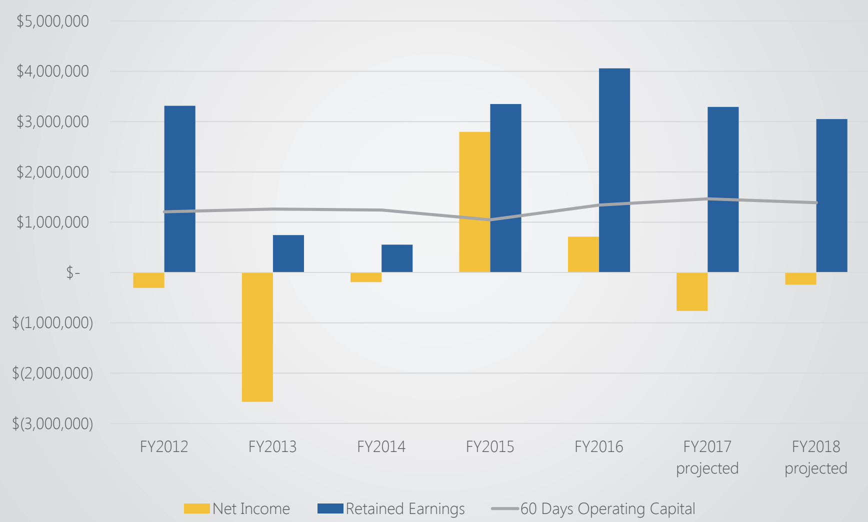
No rate changes

Workers compensation rates

Rate	2017	2018	Increase (Decrease)
UDOT worker	$1.25 per $100	$1.25 per $100	00.00%
Other State agencies	$0.70 per $100	$0.70 per $100	00.00%
Aviation pilot	$2,200 per pilot	$2,200 per pilot	00.00%

Workers Compensation Retained Earnings

Utah Department of Administrative Services



Risk Management Rate Committee Action

Utah Department of Administrative Services

Requested Actions

Action	Slide Number
Liability premium changes	69
Charter school rate increase	70
Approve all other existing rates	

30+ days late (per vehicle per month)	300.00
Seasonal Use Vehicle Lease	155.02
Operator Incentives	
Operator Incentives Alternative Fuel Rebate (per gallon)	0.20
ISF - Fuel Network	
Charge (per gallon)	0.065
greater than or equal to 60,000 gal./yr	
Charge at low volume sites (per gallon)	0.065
less than 60,000 gal./yr.	
Percentage of transaction value at all sites	3.0%
Accounts receivable late fee	
Past 30 days	5% of balance
Past 60 days	10% of balance
Past 90 days	15% of balance
CNG Maintenance and Depreciation (per gallon)	1.15
ISF - Travel Office	
Travel	
Travel Agency Service	
Regular	25.00
Online	15.00
State Agent	20.00
Group	
16-25 people	22.50
26-45 people	20.00
46+ people	17.50
School District Agent	15.00
RISK MANAGEMENT	
ISF - Risk Management Administration	
Liability Premiums	
Administrative Services	412,836.00
Agriculture	42,537.00
Alcoholic Beverage Control	89,311.00
Attorney General's Office	165,404.00
Auditor	12,572.00
Board of Pardons	12,674.00
Capitol Preservation Board	11,334.00
Career Service Review Office	623.00

Commerce	89,920.00
Commission on Criminal and Juvenile Justice	5,956.00
Heritage and Arts	36,057.00
Corrections	751,058.00
Courts	335,043.00
Utah Office for Victims of Crime	4,182.00
Education	230,470.00
Deaf and Blind School	72,779.00
Environmental Quality	118,423.00
Fair Park	17,278.00
Financial Institutions	15,147.00
Governor	29,760.00
Governor's Office of Management and Budget	26,295.00
Governor's Office of Economic Development	86,599.00
Health	377,919.00
Heber Valley Railroad	3,134.00
House of Representatives	10,601.00
Human Resource Management	36,325.00
Human Services	758,922.00
Labor Commission	30,862.00
Insurance	151,738.00
Legislative Fiscal Analyst	9,228.00
Legislative Auditor	8,417.00
Legislative Printing	1,319.00
Legislative Research & General Counsel	20,167.00
Medical Education Council	
National Guard	106,895.00
Natural Resources	347,773.00
Public Lands	14,502.00
Public Safety	480,862.00
Public Service Commission	11,077.00
School and Institutional Trust Lands	23,155.00
Senate	6,214.00
Tax Commission	163,680.00
Technology Services	225,603.00
Treasurer	6,765.00
Utah Communications Network	9,222.00

Utah Science and Technology and Research	7,840.00
Veteran's Affairs	5,012.00
Workforce Services	396,884.00
Transportation	2,471,000.00
Board of Regents	68,396.00
Dixie State University	139,526.00
Salt Lake Community College	234,328.00
Snow College	82,125.00
Southern Utah University	150,101.00
Bridgerland Applied Technology College	28,479.00
Davis Applied Technology College	31,069.00
Ogden Weber Applied Technology College	32,216.00
Uintah Basin Applied Technology College	23,268.00
Tooele Applied Technology College	6,819.00
Dixie Applied Technology College	9,846.00
Mountainland Applied Technology College	16,534.00
Southwest Applied Technology College	9,570.00
University of Utah	1,370,353.00
Utah State University	542,179.00
Utah Valley University	407,741.00
Weber State University	312,685.00
School Districts	4,685,886.00
Property Insurance Rates	
Net Estimated Premium	17,093,905.00
Gross Premium for Buildings	
Existing Insured Buildings	
Existing Insured Buildings	See formula
Building value as determined by Risk Mgt. & owner as of June 2015 multiplied by the Marshall & Swift Valuation Service rates as of March 2015 associated w/ Building Construction Class, Occupancy Type, Building Quality, & Fire Protection Code	
Newly Insured Buildings	
Newly Insured Buildings	See formula
Building value as determined by Risk Mgt. & owner as of insured date multiplied by the Marshall & Swift Valuation Service rates as of March 2015 associated w/ Building Construction Class, Occupancy Type, Building Quality, & Fire Protection Code	

Building Demographic Discounts	
Fire Suppression Sprinklers	15% discount
Smoke alarm/Fire detectors	5% discount
Flexible water/Gas connectors	1% discount
Surcharges	
Lack of compliance with Risk Mgt. recommendations	10% surcharge
Building built prior to 1950	10% surcharge
Agency Discount1	63.5% discount
Agency Discount2	See formula
Agency specific discount negotiated w/ Risk Mgt	
Gross Premium for Contents	
Existing Insured Buildings	
Existing Insured Buildings	See formula
Content value as determined by owner as of June 2015 multiplied by the Marshall & Swift Valuation Service rates as of March 2015 associated w/ Building Construction Class, Occupancy Type, Building Quality, & Fire Protection Code	
Newly Insured Buildings	
Newly Insured Buildings	See formula
Content value as determined by owner as of insured date multiplied by the Marshall & Swift Valuation Service rates as of March 2015 associated w/ Building Construction Class, Occupancy Type, Building Quality, & Fire Protection Code	
Gross Premium Discounts/Penalties	
Non-Compliance Penalty - Meeting Minutes	5% Penalty
Up to 5% penalty for non-compliance with Risk loss control activities, namely submitting Risk Control meeting minutes on a quarterly basis.	
Non-Compliance Penalty - Self Inspection Survey	10% Penalty
Up to 10% penalty for non-compliance with Risk loss control activities, namely submitting the annual Self Inspection Survey.	
Specialized Lines of Coverage	See Formula
Specialized lines of insurance outside of typical coverage lines. Pass through costs direct from insurance provider.	
Automobile/Physical Damage Premiums	
Public Safety rate for value less than $35,000 (per vehicle)	175.00
Higher Education rate for value less than $35,000 (per vehicle)	125.00
Other state agency rate for value less than $35,000 (per vehicle)	150.00

School bus rate (per vehicle)	200.00
School district rate for value less than $35,000 (per vehicle)	50.00
Rate for value more than $35,000 (per $100 of value)	0.80
Other vehicles or related equipment	
State and Higher Education (per vehicle)	75.00
School District (per vehicle)	50.00
Standard deductible (per incident)	1,500.00
Up to this amount with discounts available for compliance with specifically identified Risk Management loss control activities.	
Workers Compensation Rates	
UDOT	1.25% per $100 wages
State Agencies	0.70% (except UDOT)
Aviation (per PILOT-YEAR)	$2,200
Course of Construction Premiums	
Rate per $100 of value	0.053
Charged for half of a year	
Charter Schools	
Liability ($2 million coverage)	
Charter School Pre-opening Liability Coverage (per School)	1,000.00
$1,000 minimum (per student)	8.00
Property ($1,000 deductible per occurrence)	
Cost per $100 in value, $100 minimum	0.10
Comprehensive/Collision ($500 deductible per occurrence)	
Cost per year per vehicle	150.00
Employee Dishonesty Bond (per year)	250.00
DIVISION OF FACILITIES CONSTRUCTION AND MANAGEMENT - FACILITIES MANAGEMENT	
Alcoholic Beverage Control Stores	1,286,145.20
Price Public Safety	38,680.00
Ogden Juvenile Court - New	444,038.00
Garage-Administrative Staff	42.00
Garage - Apprentice Maintenance	39.00
Garage-Electronic Resource	42.00
Garage-Facilities Manager	52.00
Garage-Groundskeeper II	32.00
Garage - Grounds Manager	38.00
Garage-Grounds Supervisor	34.00
Garage-Journey Electrician	50.00

8/26/2016

Proforma Financial Statements
6020 Risk Management Administration

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	944,859	603,151	135,987	398,677	441,144	447,644	454,144	460,644
ACCOUNTS RECEIVABLE					152	152	152	152
DUE FROM OTHER FUNDS	4,099	8,853						
INVENTORIES								
PREPAID EXPENSES								
TOTAL CURRENT ASSETS	**948,958**	**612,004**	**135,987**	**398,677**	**441,296**	**447,796**	**454,296**	**460,796**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT	351,570	607,346	635,110	635,110	655,110	655,110	655,110	655,110
ACCUMULATED DEPRECIATION	(70,411)	(140,628)	(301,753)	(462,879)	(624,012)	(630,512)	(637,012)	(643,512)
TOTAL CAPITAL ASSETS	**281,159**	**466,718**	**333,357**	**172,231**	**31,098**	**24,598**	**18,098**	**11,598**
TOTAL ASSETS	**1,230,117**	**1,078,722**	**469,344**	**570,908**	**472,394**	**472,394**	**472,394**	**472,394**
LIABILITIES & FUND EQUITY								
ACCOUNTS PAYABLE & ACCRUED LIABILITIES	174,779	208,276	206,552	238,272	142,322	142,322	142,322	142,322
DEFERRED REVENUE								
INTERFUND LOAN (Short Term Cash Deficit)								
DUE TO OTHER FUNDS	18,630	4,197	4,262	3,646	1,082	1,082	1,082	1,082
POLICY CLAIMS LIABILITIES - SHORT TERM								
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**193,409**	**212,473**	**210,814**	**241,918**	**143,404**	**143,404**	**143,404**	**143,404**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL LIABILITIES	**193,409**	**212,473**	**210,814**	**241,918**	**143,404**	**143,404**	**143,404**	**143,404**
CONTRIBUTED CAPITAL								
RETAINED EARNINGS	1,036,708	866,249	258,530	328,990	328,990	328,990	328,990	328,990
TOTAL FUND EQUITY / NET ASSETS	**1,036,708**	**866,249**	**258,530**	**328,990**	**328,990**	**328,990**	**328,990**	**328,990**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**1,230,117**	**1,078,722**	**469,344**	**570,908**	**472,394**	**472,394**	**472,394**	**472,394**
	0	0	0	0	0	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)		**29**	**110**	**3,668**	**186,708**	**186,708**	**186,708**	**186,708**
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**0**	**29**	**110**	**3,668**	**186,708**	**186,708**	**186,708**	**186,708**
PERSONAL SERVICES	2,429,466	2,525,839	2,625,441	2,793,633	3,087,087	3,148,829	3,211,806	3,276,042
TRAVEL EXPENSE	35,191	42,653	42,590	41,759	34,367	34,367	34,367	34,367
CURRENT EXPENSE	329,010	763,766	608,147	235,964	397,708	397,708	397,708	397,708
CURRENT EXPENSE - DATA PROCESSING	175,338	78,888	107,334	294,046	340,518	340,518	340,518	340,518
DEPRECIATION EXPENSE	70,411	70,217	161,126	161,126	161,133	6,500	6,500	6,500
OTHER EXPENSES	(3,495,371)	(3,310,875)	(2,936,809)	(3,593,320)	(3,834,105)	(3,741,214)	(3,804,191)	(3,868,427)
TOTAL OPERATING EXPENSES	**(455,955)**	**170,488**	**607,829**	**(66,792)**	**186,708**	**186,708**	**186,708**	**186,708**
TOTAL OPERATING INCOME (LOSS)	**455,955**	**(170,459)**	**(607,719)**	**70,460**	**0**	**0**	**0**	**0**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**455,955**	**(170,459)**	**(607,719)**	**70,460**	**0**	**0**	**0**	**0**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**694,270**	**944,859**	**603,151**	**135,987**	**398,677**	**441,144**	**447,644**	**454,144**
Total Cash from Sales	0	(4,725)	110	3,668	186,556	186,708	186,708	186,708
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources								
TOTAL SOURCES OF CASH	**0**	**(4,725)**	**110**	**3,668**	**186,556**	**186,708**	**186,708**	**186,708**
Cash Used for Operations	250,589	(81,207)	(467,274)	259,022	(124,089)	(180,208)	(180,208)	(180,208)
Payments for Capital Assets		(255,776)			(20,000)	0	0	0
State Appropriations								
Other Uses								
TOTAL USES OF CASH	**250,589**	**(336,983)**	**(467,274)**	**259,022**	**(144,089)**	**(180,208)**	**(180,208)**	**(180,208)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**944,859**	**603,151**	**135,987**	**398,677**	**441,144**	**447,644**	**454,144**	**460,644**
	944,859	603,151	135,987	398,677	441,144	447,644	454,144	460,644
	0	0	0	0	0	0	0	0

Proforma Financial Statements
6010 Risk Management OCIP

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	(582,689)	749,271	744,834	744,354	396,893	396,893	396,893	396,893
ACCOUNTS RECEIVABLE								
DUE FROM OTHER FUNDS								
INVENTORIES								
PREPAID EXPENSES								
TOTAL CURRENT ASSETS	**(582,689)**	**749,271**	**744,834**	**744,354**	**396,893**	**396,893**	**396,893**	**396,893**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM	250,000							
TOTAL OTHER ASSETS	**250,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
ACCUMULATED DEPRECIATION								
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**(332,689)**	**749,271**	**744,834**	**744,354**	**396,893**	**396,893**	**396,893**	**396,893**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	47,243		1,689	1,273	0	0	0	0
ACCRUED LIABILITIES								
DEFERRED REVENUE								
INTERFUND LOAN (Short Term Cash Deficit)								
DUE TO OTHER FUNDS		703						
POLICY CLAIMS LIABILITIES - SHORT TERM								
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**47,243**	**703**	**1,689**	**1,273**	**0**	**0**	**0**	**0**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM	165,000							
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**165,000**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL LIABILITIES	**212,243**	**703**	**1,689**	**1,273**	**0**	**0**	**0**	**0**
CONTRIBUTED CAPITAL	2,000,000	3,630,000	3,630,000	3,630,000	3,630,000	3,630,000	3,630,000	3,630,000
RETAINED EARNINGS	(2,544,932)	(2,881,432)	(2,886,855)	(2,886,919)	(3,233,107)	(3,233,107)	(3,233,107)	(3,233,107)
TOTAL FUND EQUITY / NET ASSETS	**(544,932)**	**748,568**	**743,145**	**743,081**	**396,893**	**396,893**	**396,893**	**396,893**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**(332,689)**	**749,271**	**744,834**	**744,354**	**396,893**	**396,893**	**396,893**	**396,893**
	0	0	0	0	0	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**88**		**0**	**0**	**0**	**0**	**0**	**0**
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**88**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
PERSONAL SERVICES								
TRAVEL EXPENSE								
CURRENT EXPENSE	960,714	336,468	8,873	3,673	348,693	0	0	0
CURRENT EXPENSE - DATA PROCESSING								
DEPRECIATION EXPENSE								
OTHER EXPENSES		39			69			
TOTAL OPERATING EXPENSES	**960,714**	**336,507**	**8,873**	**3,673**	**348,762**	**0**	**0**	**0**
TOTAL OPERATING INCOME (LOSS)	**(960,626)**	**(336,507)**	**(8,873)**	**(3,673)**	**(348,762)**	**0**	**0**	**0**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME			3,450	3,609	2,574	0	0	0
INTEREST EXPENSE	896	7						
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**(959,730)**	**(336,500)**	**(5,423)**	**(64)**	**(346,188)**	**0**	**0**	**0**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**335,124**	**(582,689)**	**749,271**	**744,834**	**744,354**	**396,893**	**396,893**	**396,893**
Total Cash from Sales	88	(165,000)	0	0	0	0	0	0
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations		1,630,000						
Other Sources	897	7	3,450	3,609	2,574	-	-	-
TOTAL SOURCES OF CASH	**985**	**1,465,007**	**3,450**	**3,609**	**2,574**	**0**	**0**	**0**
Cash Used for Operations	(918,799)	(133,045)	(7,887)	(4,089)	(350,035)	0	0	0
Payments for Capital Assets				0	0	0	0	0
State Appropriations								
Other Uses	1	(2)						
TOTAL USES OF CASH	**(918,798)**	**(133,047)**	**(7,887)**	**(4,089)**	**(350,035)**	**0**	**0**	**0**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**(582,689)**	**749,271**	**744,834**	**744,354**	**396,893**	**396,893**	**396,893**	**396,893**
	(582,689)	749,271	744,834	744,354	396,893	396,893	396,893	396,893
	0	0	0	0	0	0	0	0

Proforma Financial Statements
6920 Risk Management Liability

BALANCE SHEET

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
ASSETS								
CASH & CASH EQUIVALENTS	45,030,704	44,527,265	45,207,466	46,015,436	43,412,969	45,367,490	46,310,348	46,969,555
ACCOUNTS RECEIVABLE				12,947	809,076			
DUE FROM OTHER FUNDS	149,132							
INVENTORIES								
PREPAID EXPENSES								
TOTAL CURRENT ASSETS	**45,179,836**	**44,527,265**	**45,207,466**	**46,028,383**	**44,222,045**	**45,367,490**	**46,310,348**	**46,969,555**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
ACCUMULATED DEPRECIATION								
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**45,179,836**	**44,527,265**	**45,207,466**	**46,028,383**	**44,222,045**	**45,367,490**	**46,310,348**	**46,969,555**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	11,963	171,975	66,216	56,845	6,611	6,611	6,611	6,611
ACCRUED LIABILITIES								
DEFERRED REVENUE								
INTERFUND LOAN (Short Term Cash Deficit)								
DUE TO OTHER FUNDS	451,960	25,442	43,078	895,776	852,034	852,034	852,034	852,034
POLICY CLAIMS LIABILITIES - SHORT TERM	15,259,000	15,625,000	15,894,000	16,683,000	16,759,000	17,094,180	17,436,064	17,784,785
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**15,722,923**	**15,822,417**	**16,003,294**	**17,635,621**	**17,617,645**	**17,952,825**	**18,294,709**	**18,643,430**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								
POLICY CLAIMS LIABILITIES - LONG-TERM	26,606,000	27,884,000	28,267,000	26,805,000	26,804,000	27,340,080	27,886,882	28,444,620
TOTAL LONG-TERM LIABILITIES	**26,606,000**	**27,884,000**	**28,267,000**	**26,805,000**	**26,804,000**	**27,340,080**	**27,886,882**	**28,444,620**
TOTAL LIABILITIES	**42,328,923**	**43,706,417**	**44,270,294**	**44,440,621**	**44,421,645**	**45,292,905**	**46,181,591**	**47,088,050**
CONTRIBUTED CAPITAL								
RETAINED EARNINGS	2,850,913	820,848	937,172	1,587,762	(199,600)	74,585	128,757	(118,495)
TOTAL FUND EQUITY / NET ASSETS	**2,850,913**	**820,848**	**937,172**	**1,587,762**	**(199,600)**	**74,585**	**128,757**	**(118,495)**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**45,179,836**	**44,527,265**	**45,207,466**	**46,028,383**	**44,222,045**	**45,367,490**	**46,310,348**	**46,969,555**
	0	0	0	0	0	0	0	0

INCOME STATEMENT

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
TOTAL OPERATING REVENUES (before proposed rate impacts)	**14,462,283**	**14,690,310**	**15,017,463**	**15,892,768**	**16,661,048**	**16,683,495**	**16,683,495**	**16,758,995**
Rate Impact							**75,500**	
TOTAL OPERATING REVENUES (after proposed rate impacts)	**14,462,283**	**14,690,310**	**15,017,463**	**15,892,768**	**16,661,048**	**16,683,495**	**16,758,995**	**16,758,995**
PERSONAL SERVICES								
TRAVEL EXPENSE								
CURRENT EXPENSE	12,039,440	14,817,235	13,382,291	13,260,793	16,814,770	14,775,670	15,071,183	15,372,607
CURRENT EXPENSE - DATA PROCESSING								
DEPRECIATION EXPENSE								
OTHER EXPENSES	2,091,499	1,978,661	1,768,475	2,164,716	1,747,547	1,747,547	1,747,547	1,747,547
TOTAL OPERATING EXPENSES	**14,130,939**	**16,795,896**	**15,150,766**	**15,425,509**	**18,562,317**	**16,523,217**	**16,818,730**	**17,120,154**
TOTAL OPERATING INCOME (LOSS)	**331,344**	**(2,105,586)**	**(133,303)**	**467,259**	**(1,901,269)**	**160,278**	**(59,735)**	**(361,159)**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME	345,813	236,019	249,627	183,331	113,907	113,907	113,907	113,907
INTEREST EXPENSE								
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT		(160,498)						
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**677,157**	**(2,030,065)**	**116,324**	**650,590**	**(1,787,362)**	**274,185**	**54,172**	**(247,252)**

CASH FLOW STATEMENT

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**41,971,604**	**45,030,704**	**44,527,265**	**45,207,466**	**46,015,436**	**43,412,969**	**45,367,490**	**46,310,348**
Total Cash from Sales	14,434,401	14,839,442	15,017,463	15,879,820	15,864,919	16,683,495	16,758,995	16,758,995
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources		236,019		183,331	113,907	113,907	113,907	113,907
TOTAL SOURCES OF CASH	**14,434,401**	**15,075,461**	**15,017,463**	**16,063,151**	**15,978,826**	**16,797,402**	**16,872,902**	**16,872,902**
Cash Used for Operations	(12,930,695)	(15,418,402)	(14,337,262)	(15,255,181)	(18,581,293)	(14,842,881)	(15,930,044)	(16,213,695)
Payments for Capital Assets				0	0	0	0	0
State Appropriations								
Other Uses	1,555,394	(160,498)						
TOTAL USES OF CASH	**(11,375,301)**	**(15,578,900)**	**(14,337,262)**	**(15,255,181)**	**(18,581,293)**	**(14,842,881)**	**(15,930,044)**	**(16,213,695)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**45,030,704**	**44,527,265**	**45,207,466**	**46,015,436**	**43,412,969**	**45,367,490**	**46,310,348**	**46,969,555**
	45,030,704	44,527,265	45,207,466	46,015,436	43,412,969	45,367,490	46,310,348	46,969,555
	0	0	0	0	0	0	0	0

Proforma Financial Statements
6900 Risk Management Property

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	6,743,265	6,074,495	6,797,656	11,085,434	11,328,712	11,301,602	10,445,545	9,365,608
ACCOUNTS RECEIVABLE	2,122,275		1,000,000					
DUE FROM OTHER FUNDS		29,200			131,351			
INVENTORIES								
PREPAID EXPENSES					599,214			
TOTAL CURRENT ASSETS	**8,865,540**	**6,103,695**	**7,797,656**	**11,085,434**	**12,059,277**	**11,301,602**	**10,445,545**	**9,365,608**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM		2,699,931						
TOTAL OTHER ASSETS	**0**	**2,699,931**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
ACCUMULATED DEPRECIATION								
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**8,865,540**	**8,803,626**	**7,797,656**	**11,085,434**	**12,059,277**	**11,301,602**	**10,445,545**	**9,365,608**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE		17,217						
ACCRUED LIABILITIES								
DEFERRED REVENUE								
INTERFUND LOAN (Short Term Cash Deficit)								
DUE TO OTHER FUNDS	1,504	7,415	17,892	0	17,263	17,263	17,263	17,263
POLICY CLAIMS LIABILITIES - SHORT TERM	1,738,313	2,730,893	2,210,223	2,374,198	3,743,632	3,818,505	3,894,875	3,972,773
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**1,739,817**	**2,755,525**	**2,228,115**	**2,374,198**	**3,760,895**	**3,835,768**	**3,912,138**	**3,990,036**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								
POLICY CLAIMS LIABILITIES - LONG-TERM	1,081,141	1,900,861	2,025,098	896,666	1,119,512	1,141,902	1,164,740	1,188,035
TOTAL LONG-TERM LIABILITIES	**1,081,141**	**1,900,861**	**2,025,098**	**896,666**	**1,119,512**	**1,141,902**	**1,164,740**	**1,188,035**
TOTAL LIABILITIES	**2,820,958**	**4,656,386**	**4,253,213**	**3,270,864**	**4,880,407**	**4,977,670**	**5,076,878**	**5,178,071**
CONTRIBUTED CAPITAL	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000	4,200,000
RETAINED EARNINGS	1,844,582	(52,760)	(655,557)	3,614,570	2,978,870	2,123,932	1,168,667	(12,463)
TOTAL FUND EQUITY / NET ASSETS	**6,044,582**	**4,147,240**	**3,544,443**	**7,814,570**	**7,178,870**	**6,323,932**	**5,368,667**	**4,187,537**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**8,865,540**	**8,803,626**	**7,797,656**	**11,085,434**	**12,059,277**	**11,301,602**	**10,445,545**	**9,365,608**
	0	0	0	0	0	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**14,248,675**	**14,585,573**	**15,399,120**	**16,281,465**	**16,141,171**	**16,141,171**	**16,141,171**	**16,263,371**
Rate Impact							**122,200**	
TOTAL OPERATING REVENUES (after proposed rate impacts)	**14,248,675**	**14,585,573**	**15,399,120**	**16,281,465**	**16,141,171**	**16,141,171**	**16,263,371**	**16,263,371**
PERSONAL SERVICES			0					
TRAVEL EXPENSE								
CURRENT EXPENSE	12,725,944	15,498,478	15,128,679	10,928,976	14,615,880	14,835,118	15,057,645	15,283,510
CURRENT EXPENSE - DATA PROCESSING								
DEPRECIATION EXPENSE								
OTHER EXPENSES	1,042,375	989,835	884,148	619,238	1,744,507	1,744,507	1,744,507	1,744,507
TOTAL OPERATING EXPENSES	**13,768,319**	**16,488,313**	**16,012,827**	**11,548,214**	**16,360,387**	**16,579,625**	**16,802,152**	**17,028,017**
TOTAL OPERATING INCOME (LOSS)	**480,356**	**(1,902,740)**	**(613,707)**	**4,733,251**	**(219,216)**	**(438,454)**	**(538,781)**	**(764,646)**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME	(7,992)	5,398	10,910	615	70,948	70,948	70,948	70,948
INTEREST EXPENSE								
FEDERAL GRANTS / Sprinkler Rebate				(463,739)	(487,432)	(487,432)	(487,432)	(487,432)
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**472,364**	**(1,897,342)**	**(602,797)**	**4,270,127**	**(635,700)**	**(854,938)**	**(955,265)**	**(1,181,130)**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**7,098,450**	**6,743,265**	**6,074,495**	**6,797,656**	**11,085,434**	**11,328,712**	**11,301,602**	**10,445,545**
Total Cash from Sales	14,248,675	13,978,717	15,399,120	17,281,465	16,141,171	16,141,171	16,263,371	16,263,371
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources		5,398		615				
TOTAL SOURCES OF CASH	**14,248,675**	**13,984,115**	**15,399,120**	**17,282,080**	**16,141,171**	**16,141,171**	**16,263,371**	**16,263,371**
Cash Used for Operations	(14,603,860)	(14,652,885)	(14,675,959)	(12,530,563)	(15,410,461)	(15,680,849)	(16,631,996)	(16,855,876)
Payments for Capital Assets				0	0	0	0	0
State Appropriations								
Other Uses Sprinkler Rebate				(463,739)	(487,432)	(487,432)	(487,432)	(487,432)
TOTAL USES OF CASH	**(14,603,860)**	**(14,652,885)**	**(14,675,959)**	**(12,994,302)**	**(15,897,893)**	**(16,168,281)**	**(17,119,428)**	**(17,343,308)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**6,743,265**	**6,074,495**	**6,797,656**	**11,085,434**	**11,328,712**	**11,301,602**	**10,445,545**	**9,365,608**
	6,743,265	6,074,495	6,797,656	11,085,434	11,328,712	11,301,602	10,445,545	9,365,608
	0	0	0	0	0	0	0	0

Proforma Financial Statements
6910 Risk Management Auto

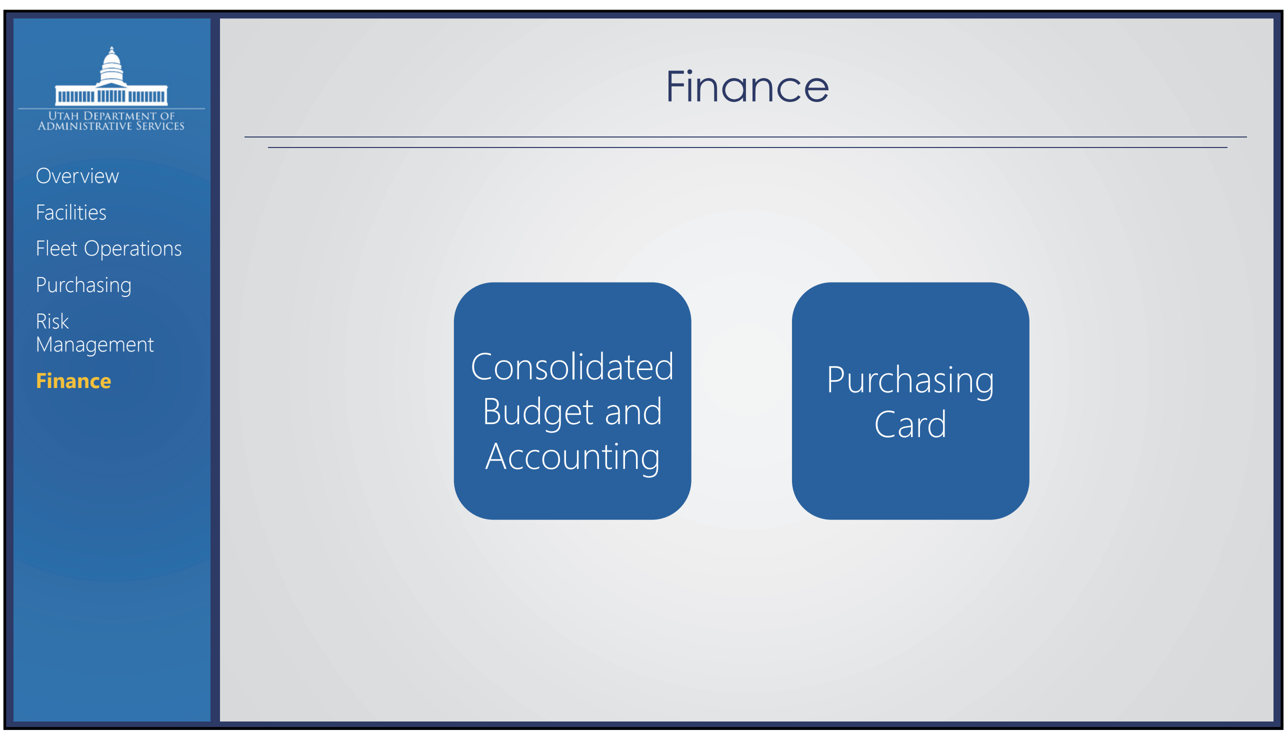
	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	235,310	430,290	87,517	290,715	378,306	330,084	278,874	210,720
ACCOUNTS RECEIVABLE								
DUE FROM OTHER FUNDS				2,934				
INVENTORIES								
PREPAID EXPENSES								
TOTAL CURRENT ASSETS	**235,310**	**430,290**	**87,517**	**293,649**	**378,306**	**330,084**	**278,874**	**210,720**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
ACCUMULATED DEPRECIATION								
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**235,310**	**430,290**	**87,517**	**293,649**	**378,306**	**330,084**	**278,874**	**210,720**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	877			2,700	200	200	200	200
ACCRUED LIABILITIES								
DEFERRED REVENUE								
INTERFUND LOAN (Short Term Cash Deficit)		4,462		0				
DUE TO OTHER FUNDS								
POLICY CLAIMS LIABILITIES - SHORT TERM	15,900	48,702	189,202	117,182	127,998	91,179	84,309	94,082
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**16,777**	**53,164**	**189,202**	**119,882**	**128,198**	**91,379**	**84,509**	**94,282**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)			0					
POLICY CLAIMS LIABILITIES - LONG-TERM				54,538	115,482	121,256	127,319	133,685
TOTAL LONG-TERM LIABILITIES	**0**	**0**	**0**	**54,538**	**115,482**	**121,256**	**127,319**	**133,685**
TOTAL LIABILITIES	**16,777**	**53,164**	**189,202**	**174,420**	**243,680**	**212,635**	**211,828**	**227,967**
CONTRIBUTED CAPITAL								
RETAINED EARNINGS	218,533	377,126	(101,685)	119,229	134,626	117,449	67,046	(17,247)
TOTAL FUND EQUITY / NET ASSETS	**218,533**	**377,126**	**(101,685)**	**119,229**	**134,626**	**117,449**	**67,046**	**(17,247)**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**235,310**	**430,290**	**87,517**	**293,649**	**378,306**	**330,084**	**278,874**	**210,720**
	0	0	0	0	0	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**1,485,795**	**1,485,504**	**1,581,864**	**2,017,535**	**2,031,721**	**2,031,721**	**2,031,721**	**2,031,721**
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**1,485,795**	**1,485,504**	**1,581,864**	**2,017,535**	**2,031,721**	**2,031,721**	**2,031,721**	**2,031,721**
PERSONAL SERVICES								
TRAVEL EXPENSE								
CURRENT EXPENSE	1,263,847	999,633	1,768,592	1,436,762	1,628,718	1,661,292	1,694,518	1,728,408
CURRENT EXPENSE - DATA PROCESSING								
DEPRECIATION EXPENSE								
OTHER EXPENSES	347,458	328,924	293,888	360,087	393,225	393,225	393,225	393,225
TOTAL OPERATING EXPENSES	**1,611,305**	**1,328,557**	**2,062,480**	**1,796,849**	**2,021,943**	**2,054,517**	**2,087,743**	**2,121,633**
TOTAL OPERATING INCOME (LOSS)	**(125,510)**	**156,947**	**(480,616)**	**220,686**	**9,778**	**(22,796)**	**(56,022)**	**(89,912)**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME	729	1,646	1,805	228	5,619	5,619	5,619	5,619
INTEREST EXPENSE								
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**(124,781)**	**158,593**	**(478,811)**	**220,914**	**15,397**	**(17,177)**	**(50,403)**	**(84,293)**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**482,731**	**235,310**	**430,290**	**87,517**	**290,715**	**378,306**	**330,084**	**278,874**
Total Cash from Sales	1,433,779	1,485,504	1,581,864	2,017,536	2,031,721	2,031,721	2,031,721	2,031,721
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources		1,646		228	5,619	5,619	5,619	5,619
TOTAL SOURCES OF CASH	**1,433,779**	**1,487,150**	**1,581,864**	**2,017,764**	**2,037,340**	**2,037,340**	**2,037,340**	**2,037,340**
Cash Used for Operations	(1,681,200)	(1,292,170)	(1,924,637)	(1,814,566)	(1,949,749)	(2,085,562)	(2,088,550)	(2,105,494)
Payments for Capital Assets				0	0	0	0	0
State Appropriations								
Other Uses								
TOTAL USES OF CASH	**(1,681,200)**	**(1,292,170)**	**(1,924,637)**	**(1,814,566)**	**(1,949,749)**	**(2,085,562)**	**(2,088,550)**	**(2,105,494)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**235,310**	**430,290**	**87,517**	**290,715**	**378,306**	**330,084**	**278,874**	**210,720**
	235,310	430,290	87,517	290,715	378,306	330,084	278,874	210,720
	0	0	0	0	0	(0)	(0)	0

Proforma Financial Statements
6030 Risk Management Workers Compensation

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	2,916,546	330,427	731,437	2,778,183	3,498,712	2,732,392	2,490,171	2,179,796
ACCOUNTS RECEIVABLE					0	0	0	0
DUE FROM OTHER FUNDS	429,032	441,254	509,075	635,046	593,192	593,192	593,192	593,192
INVENTORIES								
PREPAID EXPENSES								
TOTAL CURRENT ASSETS	**3,345,578**	**771,681**	**1,240,512**	**3,413,229**	**4,091,904**	**3,325,584**	**3,083,363**	**2,772,988**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
ACCUMULATED DEPRECIATION								
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**3,345,578**	**771,681**	**1,240,512**	**3,413,229**	**4,091,904**	**3,325,584**	**3,083,363**	**2,772,988**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	3,739	15,928	676,097	25,113	14,215	14,215	14,215	14,215
ACCRUED LIABILITIES	9,354				0	0	0	0
DEFERRED REVENUE					0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)					0	0	0	0
DUE TO OTHER FUNDS	18,475	11,841	12,891	41,313	20,307	20,307	20,307	20,307
POLICY CLAIMS LIABILITIES - SHORT TERM				0				
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**31,568**	**27,769**	**688,988**	**66,426**	**34,522**	**34,522**	**34,522**	**34,522**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL LIABILITIES	**31,568**	**27,769**	**688,988**	**66,426**	**34,522**	**34,522**	**34,522**	**34,522**
CONTRIBUTED CAPITAL								
RETAINED EARNINGS	3,314,010	743,912	551,524	3,346,803	4,057,382	3,291,062	3,048,841	2,738,466
TOTAL FUND EQUITY / NET ASSETS	**3,314,010**	**743,912**	**551,524**	**3,346,803**	**4,057,382**	**3,291,062**	**3,048,841**	**2,738,466**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**3,345,578**	**771,681**	**1,240,512**	**3,413,229**	**4,091,904**	**3,325,584**	**3,083,363**	**2,772,988**
	0	0	0	0	0	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**6,925,067**	**7,104,816**	**7,251,638**	**9,086,419**	**7,976,260**	**7,656,023**	**7,732,583**	**7,809,909**
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**6,925,067**	**7,104,816**	**7,251,638**	**9,086,419**	**7,976,260**	**7,656,023**	**7,732,583**	**7,809,909**
PERSONAL SERVICES	234,737	226,145	284,745	343,471	318,196	324,560	331,051	337,672
TRAVEL EXPENSE	613	36	379	52	878	878	878	878
CURRENT EXPENSE	6,893,268	7,232,131	7,079,379	5,875,414	7,682,737	8,397,978	7,923,948	8,042,807
CURRENT EXPENSE - DATA PROCESSING				0	97	97	97	97
DEPRECIATION EXPENSE								
OTHER EXPENSES	104,786	104,589	79,530	72,204	40,775	60,775	80,775	100,775
TOTAL OPERATING EXPENSES	**7,233,404**	**7,562,901**	**7,444,033**	**6,291,141**	**8,042,683**	**8,784,288**	**8,336,749**	**8,482,229**
TOTAL OPERATING INCOME (LOSS)	**(308,337)**	**(458,085)**	**(192,395)**	**2,795,278**	**(66,423)**	**(1,128,265)**	**(604,166)**	**(672,320)**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME	1,133	13,627	7	1	11,945	11,945	11,945	11,945
INTEREST EXPENSE								
FEDERAL GRANTS								
OTHER REVENUE					765,057	350,000	350,000	350,000
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT		(495,640)						
OPERATING TRANSFERS IN (OUT)		-1630000						
NET INCOME (LOSS)	**(307,204)**	**(2,570,098)**	**(192,388)**	**2,795,279**	**710,579**	**(766,320)**	**(242,221)**	**(310,375)**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**3,222,649**	**2,916,546**	**330,427**	**731,437**	**2,778,183**	**3,498,712**	**2,732,392**	**2,490,171**
Total Cash from Sales	6,925,067	7,092,594	7,183,817	8,960,449	7,896,260	7,656,023	7,732,583	7,809,909
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources		13,627						
TOTAL SOURCES OF CASH	**6,925,067**	**7,106,221**	**7,183,817**	**8,960,449**	**7,896,260**	**7,656,023**	**7,732,583**	**7,809,909**
Cash Used for Operations	(7,231,170)	(7,566,701)	(6,782,807)	(6,913,703)	(7,175,731)	(8,422,343)	(7,974,804)	(8,120,284)
Payments for Capital Assets				0	0	0	0	0
State Appropriations		(1,630,000)						
Other Uses		(495,639)						
TOTAL USES OF CASH	**(7,231,170)**	**(9,692,340)**	**(6,782,807)**	**(6,913,703)**	**(7,175,731)**	**(8,422,343)**	**(7,974,804)**	**(8,120,284)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**2,916,546**	**330,427**	**731,437**	**2,778,183**	**3,498,712**	**2,732,392**	**2,490,171**	**2,179,796**
	2,916,546	330,427	731,437	2,778,183	3,498,712	2,732,392	2,490,171	2,179,796
	0	0	0	0	0	0	0	0

Division of Finance


Finance
Utah Department of Administrative Services


Utah Department of Administrative Services
Overview
Facilities
Fleet Operations
Purchasing
Risk Management
Finance
Finance
Consolidated Budget and Accounting
Purchasing Card

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

Overview
Facilities
Fleet Operations
Purchasing
Risk Management
Finance
- CBA

Consolidated Budget and Accounting (CBA)

ISF since
2013

Operated as an internal service fund since FY2013

Personnel services represent 95% of the total CBA budget

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

Overview
Facilities
Fleet Operations
Purchasing
Risk Management
Finance
CBA
- Rate Changes

CBA Rates

Rate Recommendation

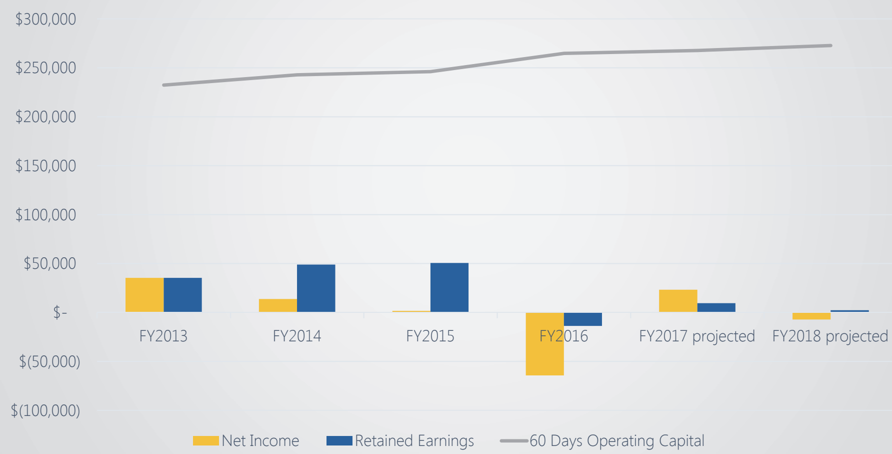
No change to current rate structure

Service	2017	2018	Increase (Decrease)
Basic accounting and transactions	$36 per hour	$36 per hour	00.00%
Financial management	$65 per hour	$65 per hour	00.00%

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

- Overview
- Facilities
- Fleet Operations
- Purchasing
- Risk Management
- **Finance**
  - CBA
    - Rate Changes
    - Retained Earnings

CBA Retained Earnings



UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

- Overview
- Facilities
- Fleet Operations
- Purchasing
- Risk Management
- **Finance**
  - CBA
  - Purchasing Card

Purchasing Card

The purchasing card provides an efficient, cost-effective method of purchasing and payment

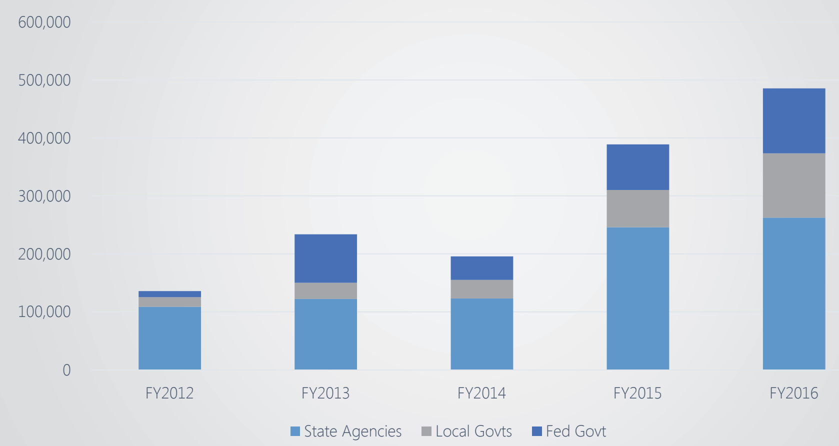
Total purchasing card usage was $26.8 million in FY2016 (0.75% increase)

The net rebate to State agencies and local governments was $373,159 in FY2016 (20.4% increase)

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

- Overview
- Facilities
- Fleet Operations
- Purchasing
- Risk Management
- **Finance**
  - CBA
  - Purchasing Card

Rebates to State Agencies (Net of Program Costs)

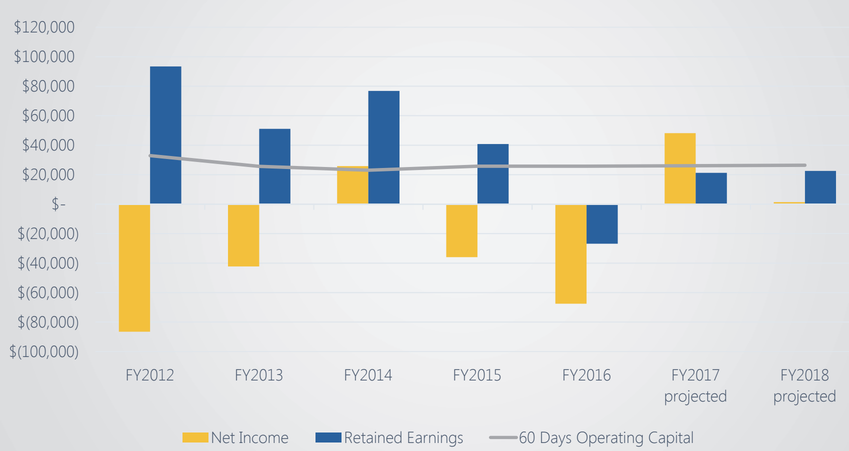


Note: The FY2013 federal government share is higher because the FY2012 amount was not paid until FY2013.

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

- Overview
- Facilities
- Fleet Operations
- Purchasing
- Risk Management
- **Finance**
  - CBA
  - Purchasing Card
    - Retained Earnings

Purchasing Card Retained Earnings



Note: FY2012 net income was very low because the FY2011 rebate was not paid until FY2012. FY2015 net income was low because we paid more out in rebate in order to bring down our retained earnings.

UTAH DEPARTMENT OF ADMINISTRATIVE SERVICES

Overview
Facilities
Fleet Operations
Purchasing
Risk Management
Finance
- CBA
- Purchasing Card
- Rate Committee Actions

Finance
Rate Committee Actions

Requested Actions

Action	Slide Number
Approve all existing rates	86

Contract rebates	
Automated Payables (per Invoice Page)	0.25
UDOT	Actual cost
STATE DEBT COLLECTION FUND	
Attorney / Legal fee	$100 per hour
Office of State Debt Collection	
Collection Penalty	6.0%
Labor Commission Wage Claim Attorney Fees	
Labor Commission Wage Claims	Variable
10% of partial payments; 1/3 of claim or $500, whichever is greater for full payments	
Collection Interest	Prime + 2%
Post Judgment Interest	Variable
Administrative Collection	18%
18% of amount collected (21.95% effective rate)	
Non sufficient Check Collection	20.00
Non sufficient Check Service Charge	20.00
Garnishment Request	Actual cost
Legal Document Service	Actual Cost
Greater of $20 or Actual	
Credit card processing fee charged to collection vendors	1.75%
Court Filing, Deposition/Transcript /Skip Tracing	Actual cost
DEPARTMENT OF ADMINISTRATIVE SERVICES INTERNAL SERVICE FUNDS	
DIVISION OF FINANCE	
ISF - Purchasing Card	
Purchasing Card	Variable
Contract rebates	
ISF - Consolidated Budget and Accounting	
Basic Accounting and Transactions (per hour)	36.00
Financial Management (per hour)	65.00
DIVISION OF PURCHASING AND GENERAL SERVICES	
ISF - Central Mailing	
Business Reply/Postage Due	0.09
Special Handling/Labor (per hour)	50.00
Auto Fold	0.01
Label Generate	0.022
Label Apply	0.019

Proforma Financial Statements
Consolidated Budget & Accounting

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS		95,203	107,119	102,186	17,252	40,450	33,270	
ACCOUNTS RECEIVABLE					0	0	0	0
DUE FROM OTHER FUNDS		36,232	42,534	48,314	47,036	47,036	47,036	47,036
INVENTORIES								
PREPAID EXPENSES								
TOTAL CURRENT ASSETS	**0**	**131,435**	**149,653**	**150,500**	**64,288**	**87,486**	**80,306**	**47,036**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
ACCUMULATED DEPRECIATION								
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**0**	**131,435**	**149,653**	**150,500**	**64,288**	**87,486**	**80,306**	**47,036**
LIABILITIES & FUND EQUITY								
ACCOUNTS PAYABLE & ACCRUED LIABILITIES		95,584	100,164	99,449	77,508	77,508	77,508	77,508
DEFERRED REVENUE					0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)					0	0	0	0
DUE TO OTHER FUNDS		543	543	500	611	611	611	611
POLICY CLAIMS LIABILITIES - SHORT TERM								
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**0**	**96,127**	**100,707**	**99,949**	**78,119**	**78,119**	**78,119**	**78,119**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)								4,896
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**4,896**
TOTAL LIABILITIES	**0**	**96,127**	**100,707**	**99,949**	**78,119**	**78,119**	**78,119**	**83,015**
CONTRIBUTED CAPITAL		0						
RETAINED EARNINGS		35,308	48,946	50,551	(13,831)	9,367	2,187	(35,979)
TOTAL FUND EQUITY / NET ASSETS	**0**	**35,308**	**48,946**	**50,551**	**(13,831)**	**9,367**	**2,187**	**(35,979)**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**0**	**131,435**	**149,653**	**150,500**	**64,288**	**87,486**	**80,306**	**47,036**
	0	0	0	0	0	0	0	0
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)		**1,429,478**	**1,470,395**	**1,478,517**	**1,524,375**	**1,629,455**	**1,629,455**	**1,629,455**
Rate Impact						**0**		
TOTAL OPERATING REVENUES (after proposed rate impacts)	**0**	**1,429,478**	**1,470,395**	**1,478,517**	**1,524,375**	**1,629,455**	**1,629,455**	**1,629,455**
PERSONAL SERVICES		1,332,200	1,375,307	1,401,754	1,493,470	1,518,903	1,549,281	1,580,267
TRAVEL EXPENSE					0	0	0	0
CURRENT EXPENSE		32,515	40,667	35,435	43,527	43,527	43,527	43,527
CURRENT EXPENSE - DATA PROCESSING		29,455	40,783	39,723	38,496	38,496	38,496	38,496
DEPRECIATION EXPENSE					0	0	0	0
OTHER EXPENSES			0	0	13,264	5,331	5,331	5,331
TOTAL OPERATING EXPENSES	**0**	**1,394,170**	**1,456,757**	**1,476,912**	**1,588,757**	**1,606,257**	**1,636,635**	**1,667,621**
TOTAL OPERATING INCOME (LOSS)	**0**	**35,308**	**13,638**	**1,605**	**(64,382)**	**23,198**	**(7,180)**	**(38,166)**
GAIN (LOSS) ON SALE OF FIXED ASSETS								
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS								
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT								
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**0**	**35,308**	**13,638**	**1,605**	**(64,382)**	**23,198**	**(7,180)**	**(38,166)**
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**0**	**0**	**95,203**	**107,119**	**102,186**	**17,252**	**40,450**	**33,270**
Total Cash from Sales	0	1,429,478	1,464,093	1,472,737	1,525,653	1,629,455	1,629,455	1,629,455
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources		59,895						
TOTAL SOURCES OF CASH	**0**	**1,489,373**	**1,464,093**	**1,472,737**	**1,525,653**	**1,629,455**	**1,629,455**	**1,629,455**
Cash Used for Operations	0	(1,394,170)	(1,452,177)	(1,477,670)	(1,610,587)	(1,606,257)	(1,636,635)	(1,667,621)
Payments for Capital Assets				0	0	0	0	0
State Appropriations								
Other Uses								
TOTAL USES OF CASH	**0**	**(1,394,170)**	**(1,452,177)**	**(1,477,670)**	**(1,610,587)**	**(1,606,257)**	**(1,636,635)**	**(1,667,621)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**0**	**95,203**	**107,119**	**102,186**	**17,252**	**40,450**	**33,270**	**(4,896)**
	0	95,203	107,119	102,186	17,252	40,450	33,270	(4,896)
	0	0	0	0	0	0	0	0

8/26/2016

Proforma Financial Statements
Purchasing Card

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
BALANCE SHEET								
ASSETS								
CASH & CASH EQUIVALENTS	0	0	517,612	109,295				
ACCOUNTS RECEIVABLE	667,653	903,124	689,177	839,555	840,964	840,964	840,964	840,964
DUE FROM OTHER FUNDS	977,858	1,020,595	1,103,414	1,160,460	1,154,888	1,154,888	1,154,888	1,154,888
INVENTORIES		0	0	0	0	0	0	0
PREPAID EXPENSES		0	461,823	0	0	0	0	0
TOTAL CURRENT ASSETS	**1,645,511**	**1,923,719**	**2,772,026**	**2,109,310**	**1,995,852**	**1,995,852**	**1,995,852**	**1,995,852**
DEFERRED CHARGES/ PREPAID EXPENSE - LONG TERM								
TOTAL OTHER ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
LAND / LAND IMPROVEMENTS								
CONSTRUCTION IN PROGRESS								
BUILDINGS AND IMPROVEMENTS								
MACHINERY AND EQUIPMENT								
ACCUMULATED DEPRECIATION								
TOTAL CAPITAL ASSETS	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL ASSETS	**1,645,511**	**1,923,719**	**2,772,026**	**2,109,310**	**1,995,852**	**1,995,852**	**1,995,852**	**1,995,852**
LIABILITIES & FUND EQUITY								
VOUCHERS PAYABLE	1,529,822	1,649,816	2,688,953	2,067,051	1,687,657	1,687,657	1,687,657	1,687,657
ACCRUED LIABILITIES		0	0	0	0	0	0	0
DEFERRED REVENUE		0	0	0	0	0	0	0
INTERFUND LOAN (Short Term Cash Deficit)	21,107	5,000	6,307	0	0	0	0	0
DUE TO OTHER FUNDS	1,263	0	0	1,553	2,658	2,658	2,658	2,658
POLICY CLAIMS LIABILITIES - SHORT TERM		0	0	0	0	0	0	0
CAPITAL LEASE PAYABLE-SHORT TERM								
REVENUE BONDS - SHORT TERM								
TOTAL CURRENT LIABILITIES	**1,552,192**	**1,654,816**	**2,695,260**	**2,068,604**	**1,690,315**	**1,690,315**	**1,690,315**	**1,690,315**
REVENUE BONDS - LONG TERM								
CAPITAL LEASE PAYABLE-LONG TERM								
CONTRACTS PAYABLE - LONG TERM								
INTERFUND LOAN FROM OTHER FUNDS								
INTERFUND LOAN FROM GENERAL FUND (Long Term Cash Deficit)		217,903			332,459	284,401	283,082	281,763
POLICY CLAIMS LIABILITIES - LONG-TERM								
TOTAL LONG-TERM LIABILITIES	**0**	**217,903**	**0**	**0**	**332,459**	**284,401**	**283,082**	**281,763**
TOTAL LIABILITIES	**1,552,192**	**1,872,719**	**2,695,260**	**2,068,604**	**2,022,774**	**1,974,716**	**1,973,397**	**1,972,078**
CONTRIBUTED CAPITAL	0	0	0	0	0	0	0	0
RETAINED EARNINGS	93,319	51,000	76,766	40,706	(26,922)	21,136	22,455	23,774
TOTAL FUND EQUITY / NET ASSETS	**93,319**	**51,000**	**76,766**	**40,706**	**(26,922)**	**21,136**	**22,455**	**23,774**
TOTAL LIABILITIES & FUND EQUITY / NET ASSETS	**1,645,511**	**1,923,719**	**2,772,026**	**2,109,310**	**1,995,852**	**1,995,852**	**1,995,852**	**1,995,852**
	0	0	(0)	(0)	(0)	(0)	(0)	(0)

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
INCOME STATEMENT								
TOTAL OPERATING REVENUES (before proposed rate impacts)	**321,124**	**344,952**	**359,556**	**507,243**	**572,242**	**572,242**	**572,242**	**572,242**
Rate Impact								
TOTAL OPERATING REVENUES (after proposed rate impacts)	**321,124**	**344,952**	**359,556**	**507,243**	**572,242**	**572,242**	**572,242**	**572,242**
PERSONAL SERVICES	75,900	70,325	73,402	78,482	82,819	84,475	86,165	86,165
TRAVEL EXPENSE		0	0	0	0	0	0	0
CURRENT EXPENSE	109,371	81,829	52,524	57,863	55,230	55,230	55,230	55,230
CURRENT EXPENSE - DATA PROCESSING	1,380	1,398	357	0	0	0	0	0
DEPRECIATION EXPENSE		0			0	0	0	0
OTHER EXPENSES		0	11,868	18,299	16,709	16,709	16,709	16,709
TOTAL OPERATING EXPENSES	**186,651**	**153,552**	**138,151**	**154,644**	**154,758**	**156,414**	**158,104**	**158,104**
TOTAL OPERATING INCOME (LOSS)	**134,473**	**191,400**	**221,405**	**352,599**	**417,484**	**415,828**	**414,138**	**414,138**
GAIN (LOSS) ON SALE OF FIXED ASSETS		0						
INTEREST INCOME								
INTEREST EXPENSE								
FEDERAL GRANTS								
REVENUE REBATES TO AGENCIES AND OTHER GOVTS	(210,462)	(149,973)	(154,993)	(310,001)	(372,881)	(285,000)	(315,000)	(315,000)
RETAINED EARNINGS REFUNDS TO FEDERAL GOVERNMENT	(10,612)	(83,746)	(40,646)	(78,658)	(112,231)	(82,770)	(97,819)	(97,819)
OPERATING TRANSFERS IN (OUT)								
NET INCOME (LOSS)	**(86,601)**	**(42,319)**	**25,766**	**(36,060)**	**(67,628)**	**48,058**	**1,319**	**1,319**

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Estimate	FY 2018 Estimate	FY 2019 Estimate
CASH FLOW STATEMENT								
BEGINNING CASH BALANCE / (INTERFUND LOAN BALANCE)	**461,022**	**(21,107)**	**(222,903)**	**511,305**	**109,295**	**(332,459)**	**(284,401)**	**(283,082)**
Total Cash from Sales	321,124	344,952	484,377	306,126	576,405	572,242	572,242	572,242
Capital Asset Disposal Proceeds	0	0	0	0	0	0	0	0
Federal Grants								
State Appropriations								
Other Sources								
TOTAL SOURCES OF CASH	**321,124**	**344,952**	**484,377**	**306,126**	**576,405**	**572,242**	**572,242**	**572,242**
Cash Used for Operations	(207,758)	(355,348)	445,471	(319,477)	(533,047)	(166,414)	(148,104)	(148,104)
Payments for Capital Assets			0	0	0	0	0	0
State Appropriations								
Other Uses	(595,495)	(191,400)	(195,640)	(388,659)	(485,112)	(357,770)	(422,819)	(422,819)
TOTAL USES OF CASH	**(803,253)**	**(546,748)**	**249,831**	**(708,136)**	**(1,018,159)**	**(524,184)**	**(570,923)**	**(570,923)**
ENDING CASH BALANCE/(INTERFUND LOAN BALANCE)	**(21,107)**	**(222,903)**	**511,305**	**109,295**	**(332,459)**	**(284,401)**	**(283,082)**	**(281,763)**
	(21,107)	(222,903)	511,305	109,295	(332,459)	(284,401)	(283,082)	(281,763)
	0	0	0	0	0	0	0	0

Appendices

Legislative Audit of Purchasing and General Services
(see http://le.utah.gov/audit/14_11rpt.pdf)

Independent Audit of State Mail (included)

FLATIRON Audit of Risk Management (included)

Legislative Audit of Risk Management
(see http://le.utah.gov/audit/16_eilr.pdf)

DIGEST OF AUDIT OF STATE MAIL COURIERS AND RATES

State Mail has lost about 1 million dollars over the past two years because of declining mail volumes and a rate system that does not reflect true costs. A route sample showing all mail picked up and actual costs showed that most routes are losing money. Further, the rate system for processing mail does not reflect actual costs. Changing the rate system to separate courier from production, charging for actual costs, reviewing route inefficiencies and using customer input will allow State Mail to fully recover their costs and encourage more efficient use.

Our route sample analysis of 93 route days showed that at least 75% of the time routes are losing money. They are losing money because the volume of mail has declined, rates do not reflect costs adequately and because the service delivered on some routes--going two or three times to the same stop or not picking up any or very little mail—does not appear justified based on the cost of providing the service versus the amount of mail picked up.

Rates for processing mail also do not reflect costs. The rates do not accurately reflect the machine, personnel, supervisory, building and other costs. Accurate rates will allow State Mail to compare their processing costs with the private sector to determine how efficient State Mail is compared to other organizations.

For more accurate rates, we developed separate rates for couriers and for production (processing the mail). However, these rates assume that service levels stay the same. As noted above, our route analysis identified areas where the service level does not appear justified. State Mail is currently working on a customer survey to determine what service levels customers really need with associated costs. I recommend that State Mail use these separate rates, the information in the route sample, and the information from their customer surveys to develop rates that reflect more efficient route utilization and reflect what customers really need.

AUDIT OF STATE MAIL COURIERS AND RATES

July 2016

State Mail has lost about 1 million dollars over the past two years because of declining mail volumes and a rate system that doesn't reflect true costs. A route sample showing all mail picked up and actual costs showed that most routes are losing money. Further the rate system for processing mail does not reflect actual costs. Changing the rate system to separate courier from production, charging for actual costs, reviewing route inefficiencies and using customer input will allow State Mail to fully recover their costs and encourage more efficient use. Other states contacted charge separately for courier service and for processing services which gives more accurate rates.

State Mail delivers mail and picks up mail both for the US Post Office and other state agencies. When mail is picked up, it is metered (in essence a "stamp" is put on the mail), sorted by zip code and delivered to the US Post Office. Because the state meters and sorts the mail, the Post Office gives a 10 cent discount for one-ounce letters and a 30 cent discount for two-ounce letters. State Mail charges for processing and picking up mail going to the Post Office. However, State Mail does not charge for mail that does not go to the Post Office, called Inter-agency mail. The amount of Inter-agency mail is significant—our route sample estimated about 120,000 pieces per year which, if delivered by the Post Office, would cost approximately between 90 cents and $4.50. Further, State Mail also processes certified mail for agency offices, saving the agency from going to the Post Office to get Certified Mail.

We analyzed both the courier system and production (processing mail). As a result of these analyses, I recommend that State Mail follow what other states are doing and charge separately for the courier service and for mail processing. In addition, I recommend that State Mail, with their customers, use the sampled data to modify unproductive routes and stops.

COURIER SYSTEM IS LOSING MONEY

Our route sample showed that at least 75% of the routes cost more to provide services than they receive in revenue. Routes are losing money because: (1) mail volume has significantly declined; (2) rates do not reflect the true costs of service; and (3) some routes are more costly than others.

Mail Volume Has Declined

Government agencies are sending and receiving less mail from the Post Office resulting in a decline in revenue. Every day State Mail's couriers go out on 16 routes from Ogden to Provo. They stop at state agencies, both delivering mail (that was picked up from a state mailbox at the Redwood Road US Post Office) and then picking up mail that the agencies want sent through the Post Office, as well as Inter-agency and Certified mail. There are over 250 stops spread between the 16 routes. For many routes, the couriers from the same route stop at the same location twice a day, or couriers from another route stop at the same location later in the day. State Mail charges its customers for the amount of US mail picked up and processed; therefore if mail volume declines, so does revenue.

The amount of metered mail processed through State Mail's OCR machine—which sorts mail into US Post Office locations-- has declined over the years. Mail volume from Fiscal Year 13 to Fiscal Year 14 declined by about 1.8 million pieces or about 7%; and from Fiscal Year 14 to Fiscal Year 15 by about 4 million pieces or about 18%. Fiscal Year 16 has actually slightly increased, but overall the decline has been significant.

Though mail volume decline overall is significant, it does not fully explain the loss of about $1 million over the past two years. Our route sample shows most routes are not covering their costs.

Most Routes Are Losing Money

Our route sample showed that, though there are a few routes covering costs, over 75% of the routes do not make enough to cover their costs. Each day for the past ten weeks, couriers from two routes, semi-randomly selected, counted the Inter-agency, Metered and Certified mail by mail box (when a courier makes a stop he or she delivers and picks up mail from agencies at the stop according to their mail box numbers. A stop can have multiple mail box numbers.). We then determined the total personnel, the vehicle and overhead costs associated with route. The results of our analysis are shown below:

ROUTE	DAY	REV - COSTS W/OUT OVERHEAD	OH/ROUTE	REV - COST WITH OH
17	7-Jun-16	$ 185.64	$ 35.94	$ 149.70
14	23-Jun-16	$ 137.17	$ 41.93	$ 95.23
14	25-May-16	$ 119.58	$ 41.93	$ 77.64
17	28-Jun-16	$ 87.75	$ 35.94	$ 51.81
14	1-Jun-16	$ 75.12	$ 41.93	$ 33.18
17	21-Jul-16	$ 61.11	$ 35.94	$ 25.17
14	12-Jul-16	$ 65.41	$ 41.93	$ 23.47
5	7-Jun-16	$ 137.00	$ 119.81	$ 17.19
5	22-Jul-16	$ 136.66	$ 119.81	$ 16.84
14	18-Jul-16	$ 44.61	$ 41.93	$ 2.67
5	6-Jul-16	$ 120.79	$ 119.81	$ 0.97
17	22-Jun-16	$ 36.32	$ 35.94	$ 0.37
14	17-Jun-16	$ 39.67	$ 41.93	$ (2.26)
17	31-May-16	$ 20.15	$ 35.94	$ (15.79)
4	28-Jun-16	$ 153.73	$ 179.72	$ (25.99)
17	15-Jul-16	$ 3.77	$ 35.94	$ (32.17)
3	3-Jun-16	$ 129.53	$ 179.72	$ (50.19)
9	5-Jul-16	$ 75.78	$ 131.80	$ (56.02)
5	29-Jun-16	$ 57.54	$ 119.81	$ (62.27)
15	24-Jun-16	$ 53.78	$ 119.81	$ (66.03)
7	23-May-16	$ 21.31	$ 89.86	$ (68.55)
16	3-Jun-16	$ (36.85)	$ 41.93	$ (78.78)
16	27-May-16	$ (42.67)	$ 41.93	$ (84.60)
16	21-Jun-16	$ (44.04)	$ 41.93	$ (85.98)
16	27-Jun-16	$ (50.14)	$ 41.93	$ (92.07)
5	19-May-16	$ 20.29	$ 119.81	$ (99.52)
7	15-Jun-16	$ (25.58)	$ 89.86	$ (115.44)
4	28-Jul-16	$ (79.70)	$ 35.94	$ (115.65)
7	8-Jul-16	$ (31.41)	$ 89.86	$ (121.27)
7	9-Jun-16	$ (32.49)	$ 89.86	$ (122.35)
2	2-Jun-16	$ (85.62)	$ 59.91	$ (145.53)
12	8-Jul-16	$ (104.32)	$ 41.93	$ (146.26)
12	14-Jul-16	$ (114.27)	$ 41.93	$ (156.20)
12	27-May-16	$ (115.43)	$ 41.93	$ (157.36)
12	21-Jun-16	$ (118.45)	$ 41.93	$ (160.38)
11	26-May-16	$ (111.47)	$ 53.92	$ (165.39)
11	20-Jun-16	$ (112.78)	$ 53.92	$ (166.69)
11	14-Jun-16	$ (112.84)	$ 53.92	$ (166.75)
11	7-Jul-16	$ (113.37)	$ 53.92	$ (167.29)
11	13-Jul-16	$ (113.39)	$ 53.92	$ (167.31)
11	20-May-16	$ (113.46)	$ 53.92	$ (167.38)
12	24-May-16	$ (125.92)	$ 41.93	$ (167.85)
12	15-Jun-16	$ (126.27)	$ 41.93	$ (168.20)
13	31-May-16	$ (38.10)	$ 131.80	$ (169.90)
7	1-Jul-16	$ (81.70)	$ 89.86	$ (171.56)
6	20-May-16	$ (110.31)	$ 65.90	$ (176.21)
6	7-Jul-16	$ (112.17)	$ 65.90	$ (178.07)
6	8-jun-16	$ (113.84)	$ 65.90	$ (179.74)
6	30-Jun-16	$ (113.97)	$ 65.90	$ (179.87)
2	30-Jun-16	$ (120.34)	$ 59.91	$ (180.24)
4	21-Jul-16	$ (1.30)	$ 179.72	$ (181.02)
9	10-Jun-16	$ (51.99)	$ 131.80	$ (183.78)
6	14-Jun-16	$ (121.46)	$ 65.90	$ (187.36)
2	27-Jul-16	$ (129.88)	$ 59.91	$ (189.79)
15	26-May-16	$ (71.83)	$ 119.81	$ (191.65)
6	26-Jul-16	$ (126.07)	$ 65.90	$ (191.97)
7	27-Jul-16	$ (108.24)	$ 89.86	$ (198.10)
16	14-Jul-16	$ (55.87)	$ 143.78	$ (199.64)
2	24-Jun-16	$ (139.77)	$ 59.91	$ (199.68)
2	8-Jun-16	$ (141.31)	$ 59.91	$ (201.22)
13	22-Jun-16	$ (81.24)	$ 131.80	$ (213.04)
10	25-May-16	$ (75.83)	$ 143.78	$ (219.60)
9	28-Jul-16	$ (92.02)	$ 131.80	$ (223.82)
15	2-Jun-16	$ (105.51)	$ 119.81	$ (225.32)
1	7-Jun-16	$ (92.69)	$ 137.79	$ (230.48)
5	13-Jun-16	$ (116.11)	$ 119.81	$ (235.93)
9	24-May-16	$ (106.41)	$ 131.80	$ (238.21)
10	13-Jun-16	$ (95.21)	$ 143.78	$ (238.98)
10	17-Jun-16	$ (95.78)	$ 143.78	$ (239.55)
9	16-Jun-16	$ (109.04)	$ 131.80	$ (240.83)
15	20-Jun-16	$ (122.89)	$ 119.81	$ (242.71)
10	19-May-16	$ (101.65)	$ 143.78	$ (245.43)
15	13-Jul-16	$ (127.51)	$ 119.81	$ (247.33)
9	11-Jul-16	$ (116.80)	$ 131.80	$ (248.59)
1	1-Jun-16	$ (112.64)	$ 137.79	$ (250.43)
13	16-Jun-16	$ (137.50)	$ 131.80	$ (269.30)
1	29-Jun-16	$ (138.36)	$ 119.81	$ (258.17)
4	6-Jun-16	$ (91.80)	$ 179.72	$ (271.52)
4	10-Jun-16	$ (95.17)	$ 179.72	$ (274.89)
13	25-May-16	$ (146.30)	$ 131.80	$ (278.09)
10	29-Jul-16	$ (138.70)	$ 143.78	$ (282.47)
1	23-Jun-16	$ (144.97)	$ 137.79	$ (282.76)
1	18-Jul-16	$ (146.24)	$ 137.79	$ (284.02)
1	22-Jul-16	$ (149.52)	$ 137.79	$ (287.30)
13	15-Jul-16	$ (159.68)	$ 131.80	$ (291.48)
10	6-Jul-16	$ (148.07)	$ 143.78	$ (291.84)
13	11-Jul-16	$ (177.10)	$ 131.80	$ (308.90)
4	5-Jul-16	$ (129.80)	$ 179.72	$ (309.52)
3	9-Jun-16	$ (138.39)	$ 179.72	$ (318.11)
10	12-Jul-16	$ (180.06)	$ 143.78	$ (323.83)
3	27-Jul-16	$ (145.03)	$ 179.72	$ (324.75)
3	27-Jun-16	$ (160.37)	$ 179.72	$ (340.09)
3	1-Jul-16	$ (176.07)	$ 179.72	$ (355.79)

This chart shows that out of 93 sampled route days only 12 (about 13%), highlighted in green, fully recovered both direct and overhead costs. If overhead is not included, this number, highlighted in both green and tan, increases to 21 (about 23%). For the sample period these routes lost about $11,000. If our sample results are projected to all routes throughout the year, we estimate about $550,000 in losses.

The routes are losing money because some routes cost much more to provide the service and because the amount of revenue generated through mail pickup is greater at some locations than others.

- **Some Routes Are More Costly.** To analyze route costs, we compared the top twelve routes that covered their costs with the bottom thirteen routes that did not. As the figure below shows there were significant cost differences with these routes.

ROUTE	DAY	Dir Costs/Day Personnel FY16	Dir Costs/Day Vehicle FY16	Rev-Dir Costs FY16	OH/ROUTE	REV - COST WITH OH			
17	7-Jun-16	$ 96.86	$ 3.67	$ 185.64	$ 35.94	$ 149.70			
14	23-Jun-16	$ 40.36	$ 3.49	$ 137.17	$ 41.93	$ 95.23	**Avg Personnel Costs/Day**	**Avg Veh Costs/Day**	**Avg OH**
14	25-May-16	$ 40.36	$ 3.49	$ 119.58	$ 41.93	$ 77.64	$ 88.24	$ 8.28	$ 59.41
17	28-Jun-16	$ 96.86	$ 3.67	$ 87.75	$ 35.94	$ 51.81			
14	1-Jun-16	$ 40.36	$ 3.49	$ 75.12	$ 41.93	$ 33.18			
17	21-Jul-16	$ 96.86	$ 3.67	$ 61.11	$ 35.94	$ 25.17			
14	12-Jul-16	$ 40.36	$ 3.49	$ 65.41	$ 41.93	$ 23.47			
5	7-Jun-16	$ 156.54	$ 22.42	$ 137.00	$ 119.81	$ 17.19			
5	22-Jul-16	$ 156.54	$ 22.42	$ 136.66	$ 119.81	$ 16.84			
14	18-Jul-16	$ 40.36	$ 3.49	$ 44.61	$ 41.93	$ 2.67			
5	6-Jul-16	$ 156.54	$ 22.42	$ 120.79	$ 119.81	$ 0.97			
17	22-Jun-16	$ 96.86	$ 3.67	$ 36.32	$ 35.94	$ 0.37			
10	29-Jul-16	$ 211.53	$ 20.83	$ (138.70)	$ 143.78	$ (282.47)	**Avg Personnel Costs/Day**	**Avg Veh Costs/Day**	**Avg OH**
1	23-Jun-16	$ 204.60	$ 32.60	$ (144.97)	$ 137.79	$ (282.76)	$ 202.36	$ 35.34	$ 155.76
1	22-Jul-16	$ 204.60	$ 32.60	$ (149.52)	$ 137.79	$ (287.30)			
3	9-Jun-16	$ 197.37	$ 45.12	$ (138.39)	$ 179.72	$ (318.11)			
3	27-Jul-16	$ 197.37	$ 45.12	$ (145.03)	$ 179.72	$ (324.75)			
3	27-Jun-16	$ 197.37	$ 45.12	$ (160.37)	$ 179.72	$ (340.09)			
3	1-Jul-16	$ 197.37	$ 45.12	$ (176.07)	$ 179.72	$ (355.79)			
4	5-Jul-16	$ 197.37	$ 45.12	$ (129.80)	$ 179.72	$ (309.52)			
10	6-Jul-16	$ 211.53	$ 20.83	$ (148.07)	$ 143.78	$ (291.84)			
10	12-Jul-16	$ 211.53	$ 20.83	$ (180.06)	$ 143.78	$ (323.83)			
13	15-Jul-16	$ 198.86	$ 35.40	$ (159.68)	$ 131.80	$ (291.48)			
13	11-Jul-16	$ 198.86	$ 35.40	$ (177.10)	$ 131.80	$ (308.90)			

As the above chart shows, Routes 17, 5 and 14 cover their costs, while Routes 1, 3, 4,10 and 13 lost a substantial amount of money. Routes 17 and 14 were only part-time routes (i.e. the couriers spent about half the day delivering and picking up mail, and the remainder of the day with other routes or on production); consequently, only part of the courier cost was allocated to the route. Further, Routes 17 and 14 were closer to the State Mail building and so did not require as much travel. In contrast, the routes losing money were full-time and included the Provo and Ogden routes which cost more in travel. The green routes also had fewer stops which caused less overhead allocation (I allocated overhead based on the number of stops).

- **Some Routes Generate More Revenue.** Costs, however, are not the only explanation. The green routes also picked up more mail and picked up the type of mail with the highest revenue as shown below:

ROUTE	DAY	# PIECES- Metered	TOT REV	Revenue From '37' Mail	% 37 mail	Revenue from '21' mail	% 21 mail	# Pieces Interoffice	# Pieces Certified			
5	7-Jun-16	2,603	$ 315.97	303.6	96%	5.66	2%	61	10			
										Avg #	Avg # Inter	Avg #
5	22-Jul-16	2,748	$ 315.62	298.5	95%	16.59	5%	68	3	Metered	Off	Certified
5	6-Jul-16	2,215	$ 299.75	291.19	97%	0.493	0%	47	36	1,747	36.83333	37.08333
										Avg	Avg Rev 37	Avg Rev 21
14	23-Jun-16	1,435	$ 181.02	169.326	94%	2.001	1%	56	31	Revenue	mail	mail
14	25-May-16	1,362	$ 163.42	153.87	94%	0.029	0%	24	13	$ 197.12	$ 177.08	$ 0.89
14	1-Jun-16	1,511	$ 118.97	101.706	85%	6.612	6%	23	169			
14	12-Jul-16	849	$ 109.25	104.88	96%	0.377	0%	40	7			
14	18-Jul-16	707	$ 88.46	85.56	97%	2.175	2%	26	4			
17	7-Jun-16	2,403	$ 286.17	238.392	83%	22.04	8%	26	105			
17	28-Jun-16	1,918	$ 188.28	161.322	86%	16.153	9%	24	30			
17	21-Jul-16	1,502	$ 161.64	110.4	68%	11.31	7%	31	30			
17	22-Jun-16	1,712	$ 136.84	106.26	78%	22.301	16%	16	7			
										Avg #	Avg # Inter	Avg #
1	23-Jun-16	1,064	$ 92.23	$ 67.76	73%	$ 14.21	15%	17	33	Metered	Off	Certified
1	22-Jul-16	1,037	$ 87.68	$ 68.45	78%	$ 14.38	16%	29	26	905	46	22
										Avg	Avg Rev 37	Avg Rev 21
3	9-Jun-16	938	$ 104.10	$ 84.73	81%	$ 17.81	17%	57	30	Revenue	mail	mail
3	27-Jul-16	1,242	$ 97.46	$ 71.76	74%	$ 15.05	15%	48	24	$ 77.44	$ 60.60	$ 0.78
4	5-Jul-16	473	$ 37.24	$ 29.12	78%	$ 6.09	16%	39	24			
10	29-Jul-16	983	$ 93.66	$ 77.00	82%	$ 7.40	8%	43	30			
10	6-Jul-16	857	$ 84.29	$ 73.42	87%	$ 7.95	9%	67	29			
10	12-Jul-16	539	$ 52.30	$ 46.23	88%	$ 5.48	10%	70	9			
13	15-Jul-16	1,139	$ 74.57	$ 52.16	70%	$ 10.06	13%	40	2			
13	11-Jul-16	821	$ 57.15	$ 41.26	72%	$ 5.45	10%	35	3			
3	27-Jun-16	940	$ 82.13	$ 62.65	76%	$ 13.14	16%	54	28			
3	1-Jul-16	821	$ 66.42	$ 52.65	79%	$ 11.06	17%	53	26			

The above chart shows that the "green" routes also had more mail and better revenue producing mail than the "yellow" routes. The green routes picked up an average of 1,747 pieces of metered mail compared to 905 pieces for the yellow routes; revenue for the green routes averaged $198 per route day whereas, the yellow routes averaged $77 per route day. Also, the green routes picked up more "37" mail than the yellow ones. For 37 mail the customer is billed 12.1 cents per piece as opposed to "21" mail where the customer is billed at 2.9 cents per piece. The mail billed at the 37 and 21 rates account for the vast majority of revenue from couriers.

In a section following entitled, “Rates Should Encourage Efficient Resource Use” we go into greater detail on how specific routes might be changed. As noted above, our route sample highlights that some routes are losing money. It also highlights a problem with the rates—they do not cover actual costs.

Rates Do Not Reflect Actual Costs and Are Not Uniformly Applied[i]

There is not a rate that directly reflects the cost of the couriers; attempts to reflect courier costs in other rates do not capture all costs and are not uniformly applied.

Currently the only charge for couriers is a “mail distribution charge” of 6.5 cents for every piece of mail included in the “37” charge (as explained above). State Mail said that this charge was put in place years ago and has not been updated for years. The rate was implemented in an attempt to capture courier costs. This charge does not recover all the costs because it is only charged for mail that is billed at the 37 rate. If a courier goes to a stop and gets no mail or only Inter-agency mail there is no charge to the customer for the courier; however, State Mail still has to pay for courier, vehicle and overhead costs. Also, the mileage to the stop and costs of the courier are not included in this charge.

Another problem is that the mail distribution charge is not uniformly applied. For instance, Board of Regents (UHEAA Operations) and West Jordan City are not charged a mail distribution charge. The loss of revenue can be significant. The chart below shows two large customers, Tax Commission and Workforce Services, that pay the mail distribution charge (called the V8 Rate Code) with Board of Regents and West Jordan City that do not.

CUSTOMERS PAYING V8 CHARGE		
Customer	Sum of Pieces	V8 rate Charge
TAX COMMISSION	2,933,620	$ 190,685.30
WFS	2,861,734	$ 186,012.71
CUSTOMERS NOT PAYING V8 CHARGE		
UHEAA OPERATIONS	2,739,961	$ 178,097.47
WEST JORDAN CITY	335,204	$ 21,788.26

The chart above shows that State Mail has not received almost $200,000 in revenue by not charging the V8 rate. State Mail reported that UHEAA has received this discount for many years. They believe it was put in place to attract UHEAA to State Mail since UHEAA is not required to use State Mail the way state agencies are. The discount was put in place for West Jordan City to attract them to use State Mail. In developing a new rate system, State Mail needs to consider how much of a discount they are willing to give in light of the volume of mail versus loss of revenue.

Besides the courier rates, the production rates also need to be changed to reflect true costs. The next section describes the rates for processing mail.

PRODUCTION RATES ALSO DO NOT REFLECT TRUE COSTS

Besides courier rates not reflecting true costs, production rates likewise do not reflect the true costs of services. As noted previously, when the couriers bring mail to State Mail's facility, it is metered and sorted. Also, a large part of State Mail's revenue comes from agencies who have State Mail insert brochures, flyers, applications, and other documents that come from state printing or other copying services. Agencies are billed for the services based on a per piece rate. However, like the mail distribution fee mentioned above, these rates have likewise not been updated in years nor do they reflect all costs (such as overhead).

An overhead charge, known as a "Task Distribution Fee" was developed years ago to attempt to cover overhead on the machines; however, it is not refined enough to reflect the specific overhead per machine. The Task Distribution Fee-- 1.2 cents per task--is applied uniformly regardless of the particular machine used.

We looked at both the direct costs—machine and personnel costs—and the indirect overhead costs (supervision, administration, building, etc.) associated with each machine. State mail has machines that meter mail, another machine that inserts pieces into envelopes, and the OCR machine previously mentioned. We then calculated a rate that would reflect the actual costs of the service. For instance, we determined that the cost of using the OCR machine is 3.33 cents per piece which covers all costs. Currently, the rate for using the OCR machine is 1.7 cents but this does not include the Task Distribution Fee.

Besides using the machines, there is a charge for sorting mail that is not able to be sorted using automation. This is a manual labor charge. This occurs when documents are odd shapes or the mailing information is inaccurate and the OCR machine cannot read the information. Manual labor is charged at $50 per hour but after doing our analysis of actual costs we determined that the true costs are about $96 per hour.

Like the courier system, the production rates do not recover all costs. Both the courier system and production need a new rate structure.

In the next section, we show what a new rate system might look as well as give suggestions for making routes more efficient.

CHANGE RATES AND EVALUATE ROUTES

We suggest a new rate structure for the courier and the production systems. We also suggest changing current routes to make them more productive. However, the rates for the couriers and the changes to the routes will depend on customers' responses and mail needs.

In my opinion, rates in an internal service fund should reflect true costs and should encourage efficient use of resources. As we have noted above, the current rates do neither.

Rates that Reflect True Costs Are Needed

We collected all direct (personnel and machine), supervisory, and overhead (building and other costs) costs and allocated them amongst the routes/machines to develop a rate structure that reflects true costs. Rates for couriers and then for production are shown below:

Route #	# Stops	Overhead/ Route*	TOT Dir Costs Per	Tot Dir Costs + OH	STOP CHARGE	Tot Rev 249 Pic up D
1	23	$ 137.79	$ 237.20	$ 374.99	$ 16.30	$ 93,371.31
2	10	$ 59.91	$ 164.30	$ 224.21	$ 22.42	$ 55,827.44
3	30	$ 179.72	$ 242.49	$ 422.21	$ 14.07	$ 105,130.51
4	30	$ 179.72	$ 167.04	$ 346.76	$ 11.56	$ 86,343.00
5	20	$ 119.81	$ 178.96	$ 298.78	$ 14.94	$ 74,395.47
6	11	$ 65.90	$ 147.35	$ 213.25	$ 19.39	$ 53,099.31
7	15	$ 89.86	$ 152.70	$ 242.56	$ 16.17	$ 60,397.68
8		$ -		$ -	#DIV/0!	$ -
9	22	$ 131.80	$ 197.05	$ 328.85	$ 14.95	$ 81,882.53
10	24	$ 143.78	$ 232.36	$ 376.13	$ 15.67	$ 93,657.30
11	9	$ 53.92	$ 117.52	$ 171.43	$ 19.05	$ 42,687.27
12	7	$ 41.93	$ 128.42	$ 170.35	$ 24.34	$ 42,418.24
13	22	$ 131.80	$ 234.26	$ 366.05	$ 16.64	$ 91,146.71
14	7	$ 41.93	$ 43.85	$ 85.78	$ 12.25	$ 21,359.58
15	20	$ 119.81	$ 181.31	$ 301.12	$ 15.06	$ 74,979.38
16	7	$ 41.93	$ 70.57	$ 112.51	$ 16.07	$ 28,014.93
17	6	$ 35.94	$ 100.53	$ 136.47	$ 22.75	$ 33,981.37
*OH supervision:		$ 133,645.24			TOTAL:	$ 1,038,692.04
OH bldg. and misc:		$ 258,667.02				
TOTAL OVERHEAD:		$ 392,312.26	$ 646,379.78	$ 1,038,692.04		

This table shows the charge per stop that would fully recover courier costs. The stop charges vary depending on the costs and number of stops associated with the route. The rates also assume that the couriers continue to pick up and deliver as they do now. Even though these rates reflect the costs of providing the service, I believe state mail should reduce the level of services and their costs as shown in the next section. Reducing costs will reduce the rates.

Developing separate rates for couriers is done in other states. For instance, Oregon charges a fee for distance traveled and time spent picking up mail (called Zone and Minute charges). The fees can range from $185 to $275 per month. Washington has a stop charge—about $36 per month for “In-Town”--and a volume charge for the amount of mail picked up.

The next table shows the rates needed to recover the costs of processing mail:

Machine or other	Task Cod	Description	Annual Machine	Personnel Costs	Tot Machine and Personnel Costs	% of Grand Total Machine and Personnel Costs	OH Allocated (Based on %)	# Pieces Processe	Cost/ Piece Processed (RATE)	
Pitney Bowles	100	Metering	$ 79,249.56	$ 362,604.01	$ 441,853.57	27%	$ 118,197.20	17,057,543.00	$0.058737	
OCR	102	Sorting to PO boxes	$ 95,840.65	$ 163,625.51	$ 259,466.16	16%	$ 69,408.00	18,036,820.00	$0.032619	
Bell and Howell	108	Intelligent Inserting	$ 153,840.27	$ 143,967.73	$ 297,808.00	18%	$ 79,664.56	12,489,088.00	$0.054070	
Video Ink Jet	39,40	Generate, Apply Labels	$ 20,862.00	$ 108,274.97	$ 129,136.97	8%	$ 34,544.54	2,029,143.00	$0.144307	
Hassler Tabler	45	Tabs and pastes for a mailer	$ 11,771.00	$ 53,926.12	$ 65,697.12	4%	$ 17,574.18	425,550.00	$0.350061	
Sprint Contract, Other	104	Accountable mail	$ 17,400.00	$ 137,450.90	$ 154,850.90	10%	$ 41,423.09	265,248.00	$1.323761	
	31	Accountable mail		$ 89,055.97	$ 89,055.97	6%	$ 23,822.75	13,035,102.00	$0.015492	
	11	Business reply mail		$ 74,368.85	$ 74,368.85	5%	$ 19,893.90	312,157.00	$0.540214	
Sorting Tax Comm and	110	Hand labor Incoming OCR Sort		$ 103,007.51	$ 103,007.51	6%	$ 27,554.83	2,272,158.00	$0.102797	
	107	Additional Inserts(???????)			$ -	0%	$ -	4,650,068	$0.000000	
					$ -	0%	$ -	1,574,296.00	$0.000000	
State Mail Inventory	111	#10 Double Window Envelope								*
Hand Sorting		Handlabor		$ 150,129.43	$ 150,129.43	9%	$ 40,160.09		$ 96.05	**

* Double window is a pass through. State Mail provides the envelopes and passes on their costs to customer

**These are tasks where there are too many pages for the Inserter so it is hand don.

Customer is billed at $50 per hour but it costs almost double that to provide the service

These rates fully recover the costs of processing mail. The rates also allow for comparison between State Mail and other options such as the private sector.

Not only should rates reflect true costs, but they should encourage efficient use of the resource. The next section gives ideas for efficiently using State Mail services.

Rates Should Encourage Efficient Resource Use

Using the actual costs and revenue to evaluate routes in our route sample identified some very unproductive stops on the routes. To more efficiently utilize State Mail services, some routes should probably be combined and frequency of pick-up and delivery reduced. Charging customers the actual costs of service and getting customer input on the actual frequency of pick-up and delivery per day will help make the system more efficient.

The route sample mentioned above and my discussions with couriers identified areas where mail service was very inefficient. The route sample showed that most routes were losing money and identified specific stops and mailboxes where very little mail was collected. I also accompanied couriers on five different routes and interviewed others. When accompanying couriers on routes in Ogden and Provo I noted about 25% of the stops had none or very little mail pickup. I also saw some stops where the couriers went twice to the same stop. The couriers told me of stops where very little mail is collected yet they go each day to the stop. Below are some examples.

- **Regional Centers--Two Pickups Per Day.** Both the Ogden and the Provo routes go twice a day to regional centers. In Ogden the courier goes to the Ogden Regional center once at 11:25 am and a second time at 1:45 pm. In Provo the courier goes to the Provo Regional Center at 10: 10 am and 12:25 pm. In Ogden, our route sample showed that the afternoon stop gets a significant amount of additional mail:

ROUTE+A1:Q21 1		DATE:	/ /2016		1-Jun-16		7-Jun-16			23-Jun-19			29-Jun-16			
AGENCY NAME		AGENCY ADDRESS	BOX #	Inter Agency	Metered	Certified	Inter Agency	Metered	Certified	Inter Agency	Metered	Certified	Inter Agency	Metered	Certified	TOTAL:
10	DFCM - Ogden ~ Regional Center	2540 Washingtc	0514													0
10	Health Clinics of Utah	2540 Washingtc	0526				3	26								29
10	DCFS - Ogden ~ Security	2540 Washingtc	0516													0
10	Eligibility Services	2540 Washingtc	0512													0
10	JJS - Ogden ~ Case Management #2	2540 Washingtc	0527													0
10	Aging & Adult Services	2540 Washingtc	0518													0
10	Office of Licensing	2540 Washingtc	0529													0
10	AG / Child Protect / ORS - Ogden	2540 Washingtc	0511				1									1
10	AP&P Region 2 ~ NUCC	2540 Washingtc	8615				1									1
10	Tax Commission - Ogden ~ Audit	2540 Washingtc	0522				9									9
10	Judicial Conduct Commission	2540 Washingtc	0525													0
10	Computer Center	2540 Washingtc	0524													0
10	Division of Services for the Blind &	2540 Washingtc	0523													0
															TOTAL	40
18	DFCM - Ogden ~ Regional Center	2540 Washingtc	0514													0
18	Health Clinics of Utah	2540 Washingtc	0526		23	1										24
18	DCFS - Ogden ~ Security	2540 Washingtc	0516			1										1
18	Eligibility Services	2540 Washingtc	0512					2								2
18	JJS - Ogden ~ Case Management #2	2540 Washingtc	0527													0
18	Aging & Adult Services	2540 Washingtc	0518													0
18	Office of Licensing	2540 Washingtc	0529													0
18	AG / Child Protect / ORS - Ogden	2540 Washingtc	0511			20	5	26	14		26	26	5	26	14	162
18	AP&P Region 2 ~ NUCC	2540 Washingtc	8615													0
18	Tax Commission - Ogden ~ Audit	2540 Washingtc	0522	3												3
18	Judicial Conduct Commission	2540 Washingtc	0525													0
18	Computer Center	2540 Washingtc	0524													0
18	Division of Services for the Blind &	2540 Washingtc	0523													0
															TOTAL	192

(Note: The number 26 indicates that more than 25 pieces of mail were picked up. The couriers counted all bundles that contained 25 pieces or less. Also, the chart above does not represent the full number of route days in the sample. However, the route sample for later days indicates similar issues so I did not spend the time to update.)

On this route stop 18 picked up almost 5 times the amount of mail that stop 10 picked up. The courier also told me and I observed about 25% of stops where we picked up none or very little mail despite going there every day. State Mail should evaluate with their customers whether twice a day service is needed.

- **Route 7-- Multiple Route Stops.** Most of the mailboxes in Route 7 have stops not only from Route 7 but from other routes as well. In fact, there are instances where three different routes pick up mail from the same mailbox during the day as shown below:

ROUTE 7		DATE:	/ /2016	23-May-16			9-Jun-16			15-Jun-16			1-Jul-16			
	AGENCY NAME	AGENCY ADDRESS	BOX #	Inter Agency	Metered	Certified	Inter Agency	Metered	Certified	Inter Agency	Metered	Certified	Inter Agency	Metered	Certified	TOTALS
1	TAX	210 N 1950 W	8500					26			26			26		78
2	ORS	515 East 100 South	2450	1		1	1	26	4		26			26		85
	Administration	140 East 300 South	3001													0
	Work Opportunities Tax (	140 East 300 South	2503													0
	Alien Labor Certification	1385 South State Street	2505													0
	Work & Family Life	140 East 300 South	2507													0
3	Comprehensive Unemplo	140 East 300 South	3002													0
	Unemployment Insuranc	140 East 300 South	3003													0
	Central Business Office	140 East 300 South	3250													0
	Utah Telephone Assistan	140 East 300 South	7140													0
	EREP Project (ITS)	1385 South State Street	3360													0
4	Medicaid Operations	288 North 1460 West	3106		5			26			26		1	26		84
	Library for the Blind	250 North 1950 West	7810													0
	Utah Commission on Vol	250 North 1950 West	7812													0
5	Utah Commission on Vol	250 North 1950 West	7111													0
	Indian Affairs	250 North 1950 West	7200													0
	Services for Blind & Visua	250 North 1950 West	7040		14						4		2	5		25
	Services for Blind & Visua	250 North 1950 West	7815		1											1
6	Rehabilitation - Salt Lake	1595 West 500 South	7310	1	1		3	7		3			2	1		18
7	Sorenson Unity Center	1383 South 900 West	5549	1			1	1					4			7
	Housing & Community De	1385 South State Street	1535													0
	Housing & Community De	1385 South State Street	1540										1			1
8	Housing & Community De	1385 South State Street	1545													0
	Administration South	1385 South State Street	2501													0
	DCFS ~ Metro	1385 South State Street	2520				1			1						2
	DCFS ~ Independent Livin	1385 South State Street	3408				2						1			3
8	State Energy Assistance 8	1385 South State Street	7120													0
	Home Energy Assistance	1385 South State Street	7130													0
9	Metro	720 South 200 East	3376	1	3		1			2	1		1			9
10	Youth & Family Programs	210 East 600 South	5556				1									1
11	Compliance	212 East 600 South	5552										1			1
12	Facility Svcs - Central Bus	248 East 600 South	5554	1			1			2			1			5
13	Print Services - Xerox	675 East 500 South	2020													0
14	Drug Enforcement Agency	348 East South Temple	5415													0
15	Avenues Children's Justic	257 East 11th Avenue	3650	1			1									2
			TOTALS:	6	24	1	12	86	4	8	83	0	14	84	0	322

(Note: The number 26 indicates that more than 25 pieces of mail were picked up. The couriers counted all bundles that contained 25 pieces or less. Also, the chart above does not represent the full number of route days in the sample. However, the route sample for later days indicates similar issues so I did not spend the time to update.)

When a mailbox is highlighted in tan, two different routes stop at the mailbox; when in green three different routes stop at that mailbox; a yellow mailbox is one that the courier told me she almost never gets any mail. The stop times and route numbers are shown below:

OVERLAPPING STOPS (Same box #, multiple pickups, different routes)				
Box Number	Route Number	Address		Stop Time
1535	7	Housing &	1385 South State S	10:15
1535	10			2:55
1540	7	Housing &	1385 South State S	10:15
1540	10			2:55
1545	7	Housing &	1385 South State S	10:15
1545	10			2:55
2020	7	Print Servic	675 East 500 Sout	10:20
2020	6			3:00
2501	7	Administra	1385 South State S	9:50
2501	10			2:55
2503	7	Work Oppc	140 East 300 Sout	7:00
2503	15			12:50
2503	17			5:00 PM
2505	7	Alien Labo	1385 South State S	7:00
2505	15			12:50
2507	7	Work & Fai	140 East 300 Sout	7:00
2507	15			12:50
2507	17			5:00 PM
2520	7	DCFS ~ Met	1385 South State S	9:50
2520	10			2:55
3001	7	Administra	140 East 300 Sout	7:00
3001	15			12:50
3001	17			5:00 PM
3002	7	Comprehe	140 East 300 Sout	7:00
3002	15			12:50
3002	17			5:00 PM
3003	7	Unemploy	140 East 300 Sout	7:00
3003	15			12:50
3003	17			5:00 PM
3106	7	Medicaid C	288 North 1460 W	7:15
3106	9			3:10
3106	13			9:00
3250	7	Central Bu	140 East 300 Sout	7:00
3250	15			12:50
3250	17			5:00 PM
3360	7	EREP Proje	1385 South State S	7:00
3360	15			12:50
3376	7	Metro	720 South 200 Eas	10:05
3376	6			2:45
3408	7	DCFS ~ Inde	1385 South State S	9:50
3408	10			2:55
5552	7	Complianc	212 East 600 Sout	10:15
5552	6			2:50
5554	7	Facility Svc	248 East 600 Sout	10:15
5554	6			2:50
5556	7	Youth & Fa	210 East 600 Sout	10:15
5556	6			2:50
7120	7	State Energ	1385 South State S	7:00
7120	10			2:55
7130	7	Home Ener	1385 South State S	9:50
7130	10			2:55
7140	7	Utah Telep	140 East 300 Sout	9:50
7140	15			12:50
7140	17			5:00 PM
7810	7	Library for	250 North 1950 W	8:10
7810	17			3:45
8500	7	TAX	210 N 1950 W	5:00 AM
8500	14			10:30
8500	17			2:00

Almost all of this route's stops are multiple stops where couriers from other routes pickup and deliver at different times in the day. Other routes, such as Route 9, have the same issue. State Mail, with their customers' input, should determine if multiple pickup and delivery times are needed.

- **Heber Wells, Cannon, State Office Building, Courts, and DOT buildings--No Central Mail Room.** These examples highlight another issue. In these buildings the courier goes from floor to floor and office to office to collect mail. The Ogden Regional Center and Provo Regional Centers both have central mail rooms where agencies put their mail for delivery and the couriers drop off mail. Having the same arrangement at other locations would save the couriers time. Again, State Mail, with their customers' input, should determine if a central mail room is feasible.

- **Route 5—The Morning Run Has Greater Revenue Than the Afternoon Run.** Our route sample showed that the morning run on Route 5 generated substantially more revenue than in the afternoon. The courier repeats the same stops in the afternoon that he does in the morning. The following table summarizes the revenue collected in the morning and in the evening:

DATE	19-May-16	7-Jun-16	13-Jun-16	29-Jun-16	5-Jul-16
Revenue AM:	$ 181.27	$ 302.66	$ 45.92	$ 226.46	$ 297.23
Revenue PM:	$ 17.99	$ 13.31	$ 16.93	$ 10.05	$ 2.53
TOTAL REV:	$ 199.26	$ 315.97	$ 62.85	$ 236.51	$ 299.75
AVERAGE AM	**$ 210.71**				
AVERAGE PM	**$ 12.16**				

State Mail should evaluate this route with their customers to see if afternoon service is really needed.

- **Many Mailboxes, Even With Multiple Route Stops, Have No Mail.** Our route sample showed 268 instances where no mail was delivered, despite stops from multiple routes, during our sample period. State Mail should evaluate these instances with their customers to see how much service is really needed.

State Mail should go through the route sample information to see where routes can be made more efficient.

Also, State Mail has been surveying customers as to their essential level of service. Though the survey is not complete, some have said the service levels could be reduced; others have not. Also, a few said that a stop charge of about $15 is too high and they would search for other options. State Mail needs to analyze the responses, review the route data and then adjust routes to reflect customer demands. As the routes are made more efficient stop charges could be reduced. The basic courier rates we developed in this report could be used as a starting point.

Recommendations

Develop rates that reflect true costs in the courier and production systems

Adjust service levels and rates based on customer feedback and more efficient route utilization

[i] According to the Director of Finance, the Federal Government will not reimburse for replacement costs. Therefore, all rates can only include direct costs and overhead costs; no replacement costs

State of Utah

Division of Risk Management

Property, Auto, and Liability Rate Review

Prepared by:

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May 31, 2016

FLATIRON RISK ADVISORS
LLC
TURNING RISK INTO REWARDS

Executive Summary

Flatiron Risk Advisors, LLC was engaged by the State of Utah, Division of Risk Management (the DRM) to provide an independent review of the rates it charges the customers of its Risk Management Fund (aka, the "pool"). This pool provides, among other coverage and services, property, liability (both general and automobile), and automobile physical damage insurance to its pool members. The pool finances these risks through a combination of self-insurance and insurance, the latter of which is purchased on the commercial insurance market through brokers the DRM has secured for this purpose.

In keeping with our assignment, key questions to be answered by this review include:

- How are the rates determined?
- Are the rates reasonable? (E.g., Are they sufficient to keep the Fund out of the red? Are they in compliance with the law that says the State can have up to 60 days of working capital in reserve for contingencies? Is the State over the 60 days limit?); and
- How are the State's rates communicated to its customers?

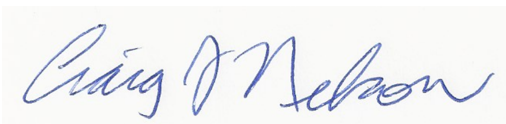
As outlined in our report, we find that the Risk Management Fund is a compelling risk financing solution providing broad insurance coverage at very competitive prices. Rates for liability self-insurance are established using actuarially sound practices, and the excess insurance premiums are secured through competitive bidding resulting in advantageous pricing. In our view, the rates confer a coverage/cost benefit upon the customer-agencies difficult to replicate if the agencies were not part of the pool. At the same time, the rates are "reasonable" in that they are sufficient to keep the pool out of the red—assuming the pool is able to collect its approved rates' "impact"—and they are developed with an eye towards the 60-day working capital reserve by collecting only what they need (i.e., no unsubstantiated "cushion" is included). The allocation methodology to the customer-agencies is fair, based on sound underwriting practices, and effectively communicated.

Short-term compliance issues *can* occur relative to the 60-day working capital in reserve for contingencies, as it is today on the property program (Internal Service Fund #6900), mainly due to the timing differences between how the insurance industry prices its products/services, how and when insurance claims are settled, and how the Internal Service Funds are calculated. These differences are *not* due to excess charges beyond what is justified by the rates and are explainable and rectifiable. The bottom line is the Federal working capital calculation, while appropriate for many types of purchases such as consumables and services, does not coordinate well with the timing of the insurance marketplace and unpredictability of claims settlements. This will likely result in continued misalignment, either under or over, because of the Federal guidelines' inherent conditions.

To make the DRM's ratemaking process even better, we recommend considering tweaking your loss coding for future auto physical damage claims to capture claims by type of vehicle, type of customer-agency, and potentially other attributes. We are *not* intimating that a problem exists with the current method, and you can certainly decide to continue as is. However, we do believe this approach may allow you to fine-tune rates in this coverage area, without reaching the point of diminishing returns. In addition, you may want to consider excess or stop loss insurance to protect your auto program from catastrophe events (e.g., fire, flood, vandalism) involving concentration of values, such as in bus yards. Finally, we believe the liability program would benefit from a structured process in which the anticipated cost of the purchased excess premiums is added to the actuarial loss rates prior to finalizing the rate request. This can be accomplished either as a separate line item or possibly by including it in the Administrative Expenses allocation ("ULAE" in the actuarial report), which may integrate most effectively with your methodology. Your actuary can work with you on what would work best.

In summary, based on our experience, the Property, Auto, and Liability rate/premium development of the Fund recognizes the unique attributes of each line of coverage. The processes employed by the DRM provide each customer-agency with a market-competitive, "fair and legitimate" rate and premium, equitably charged relative to the other participants in the pool. However, these equitable rates, and the viability of the pool itself, would be put in jeopardy if not fully funded, and simultaneously put the State's risk manager in non-compliance with State and Federal requirements.

Sincerely,



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Managing Principal, Flatiron Risk Advisors, LLC

Background and Contextual Comments

Genesis

Utah's Department of Administrative Services (the Department), which includes the Division of Risk Management, is reviewing costs charged the agencies it serves in the wake of the most recent legislative session. During that session, for example, rates and premiums the DRM charges its pool members were approved, but the "impact" of those rates and premiums was not, leaving the Department and the DRM in a quandary. This was especially true of the DRM, as their approved rates, while resulting in a net impact of $1.5 million, actually consisted of a combined charge of $2.5 million to some customer-agencies and a combined reduction of $1 million to others. Without approval of the "impact," as a practical matter, it's likely that those agencies whose loss experience and/or increase in exposures warranted a premium increase, would not have to pay, and those whose loss experience and/or decrease in exposures merited a premium decrease, would not receive their earned reduction.

As a consequence, the Department is asking whether the $1.5 million in "impact" resulting from the approved rates is necessary and has asked the DRM to review its pool-member rates to ensure they are "reasonable" and in compliance with various stipulations, such as the Federal guidelines applicable to Internal Service Funds. By "reasonable," the Department was asking things such as: "Are they (the rates) sufficient to keep the Fund out of the red? Are they in compliance with the law that says the State can have up to 60 days of working capital in reserve for contingencies? Is the State over the 60 days limit?"

Scope

This review is focused on the Property, Liability, and Auto physical damage portions of the Risk Management Fund (the Fund). Other lines of coverage (e.g., workers compensation, fidelity, cyber, etc.) secured by the risk manager or by agencies directly are not included in this review.

Rate Adequacy, Proportionate Share Obligations, and Federal ISF Guidelines

The State's risk manager has at least three important statutory obligations that must be kept in mind when answering the questions that are the subject of this analysis:

1. *Responsibility for Rate Adequacy*

   One of the State's risk manager's responsibilities as part of the Department of Administrative Services is to administer the Risk Management Fund (as outlined in the Utah Code, 63A-4-201), which is a pool created to cover the property, liability (both general and automobile), fidelity, and automobile physical damage loss exposures of the following:

   - State Agencies (by statute, ergo 100% participate)
   - State Colleges and Universities (by statute, ergo 100% participate)
   - Public schools (voluntary participation; currently 100% participate)
   - Charter schools (voluntary participation; current rate is reportedly about 50%).

The Fund provides an insurance policy to each customer-agency outlining the coverage provided by the Fund. In managing the Fund's solvency in support of this insurance, the State's risk manager, under statute 63A-4-101 (2) (f), shall "**manage the fund in accordance with economically and actuarially sound principles** to produce adequate reserves for the payment of contingencies, including unpaid and unreported claims, and may purchase any insurance or reinsurance considered necessary to accomplish this objective" (emphasis added).

2. *Responsibility for Proportionate Share Cost Allocation*

   As outlined in the Utah Code 63A-4-201 (2):

   (a) The risk manager shall charge to each agency that receives insurance coverage from the Risk Management Fund its proportionate share of the cost incurred based upon actuarially sound rating techniques.

   (b) That premium shall include all costs of operating the fund as stated in Section 63A-4-201.

   The costs outlined in 63A-4-201 include insurance or reinsurance premiums, costs of administering the fund, loss adjustment expenses, legal expenses, risk control and related educational and training expenses, and loss costs.

3. *Federal Guidelines Regarding Internal Service Funds*

   Federal guidelines regarding the pricing and allocation of Internal Service Funds restrict the State's risk manager's flexibility in meeting certain requests in charging, or not charging, for services.

Our analysis contemplates these obligations to the extent the answers would support or conflict with them, or potentially (albeit unwittingly) put the State's risk manager in non-compliance with these obligations.

Government Immunity Act

One important element that lies at the heart of the liability portion of the Fund is the State's Government Immunity Act (GIA), as outlined in the Utah Code 63G-7-101 to 904. The GIA limits the State's personal injury liability on a per-person/per-occurrence basis and property damage liability on a per-occurrence basis (under the GIA's definitions effective 5/10/2016, "personal injury" is defined in the act as "an injury of any kind other than property damage"). Through June 30, 2001, the GIA limited the State's personal injury liability to $250,000 per person and $500,000 per occurrence, and property damage liability to $100,000 per occurrence. With the passage of SB 35, effective July 1, 2001, the government cap for personal injury was increased to $500,000 per person and $1,000,000 per occurrence and for property damage liability to $200,000 per occurrence with an allowance, per Utah Code 63G-7-604 (4), that requires the State's risk manager, in each even year, to increase or decrease the cap based on a calculation of the Consumer Price Index. During the 2006 general session, the Utah legislature, through the passage of SB 113, further increased the per-person and per-occurrence cap for personal injury. The chart below provides a summary of changes to the governmental immunity caps over time.

Effective Date	Property Damage Cap: Per Occurrence	Personal Injury Cap: Per Person	Personal Injury Cap: Per Occurrence
7/1/2001	$200,000	$500,000	$1,000,000
7/1/2002	$213,000	$532,000	$1,065,000
7/1/2004	$221,400	$553,500	$1,107,000
7/1/2006	$233,600	$583,900	$1,167,000
7/1/2007	$233,600	$583,900	$2,000,000
7/1/2008	$248,300	$620,700	$2,126,000
7/1/2010	$259,500	$648,700	$2,221,700
7/1/2012	$269,700	$674,000	$2,308,400
7/1/2014	$281,300	$703,000	$2,407,700
7/1/2016	$286,900	$717,100	$2,455,900

The GIA is important to note because of its use by the State's actuary (currently Deloitte Consulting LLP) in increasing the predictability of the State's overall liabilities for outstanding claims, which aids in the accuracy of rate determination by the actuary and the DRM. Moreover, the GIA cap is incorporated into the DRM's purchase of excess liability insurance over the Fund's self-insured retention for Liability and has the effect of keeping the cost of this insurance very low relative to other organizations without this liability cap.

The GIA does not apply to actions covered by Federal law, such as civil rights offenses or contract disputes, or to out-of-state incidents. In addition, there is concern over erosions to the GIA's protection when it comes to "commercial" activities undertaken by state agencies. Each of these areas can create uncertainty of outcomes, increased volatility, and potentially higher awards beyond the caps. This, in turn, creates budget uncertainty, the need to consider higher excess liability limits, and higher costs.

The Commercial Insurance Marketplace and the State's Budgeting Process

An inherent challenge or mismatch exists for the State's risk manager with regard to the budgeting process and Internal Service Funds guidelines that other purchasers, such as those of consumables or services, likely do not have. This challenge is created in large part by the way the commercial insurance industry functions.

Under State budgeting guidelines, the State's risk manager submits a budget approximately 10-12 months in advance of the fiscal period. However, the commercial property/liability insurance marketplace, for large entities such as the State, will not provide pricing that far in advance, usually doing so only 30-60 days in advance of the State's renewal. This is because each year, the commercial insurance carriers renew their reinsurance treaties, which are a primary driver of *what* they can insure, *how much* they can insure, and at what *price and coverage terms*. This is further complicated by the fact that, on the State's property program, for example, multiple insurance companies are required to provide the underwriting capacity necessary for the State to secure the amount of coverage it needs. With over $32B in property values and a significant earthquake risk in Utah, no one insurance carrier is willing to provide the entire limit the State requires. (We go into more detail on this structure of the Property program in Section I of this report.)

Thus, when the risk manager submits her budget, it is only an educated guess as to what the insurance market is going to come back with at the time renewal negotiations occur. She is not able to negotiate a firm price at budget time. In a "soft" market when underwriting capacity is plentiful and prices are holding steady or decreasing, she has an easier time of being on target with the budget estimate or even provide an estimate that is higher than it actually turns out to be when in a declining market.

However, intervening national or international events outside of the State's control, such as economic downturns, large catastrophic events (such as a Cat 5 hurricane) that impact capacity and cost in the global insurance marketplace, or adverse loss experience for the State's properties in particular, can drive up costs when the premiums are actually negotiated, sometimes significantly. A good example of this is what is occurring now with the CV Starr excess liability program. Because of adverse loss experience nationally with lawsuits targeting police departments, CV Starr has decided to withdraw from providing coverage for the State (or any state), even though the State has had excellent loss experience with CV Starr and has not seen the kind of lawsuit activity being experienced elsewhere. It's uncertain, at this point, a) which underwriters are still willing to undertake this risk and provide coverage for the State, and it appears the market is very limited (e.g., Britt, Old Republic, Lexington, and Munich Re) and b) what the cost and terms of this capacity will be. It could be that the State's cost increases significantly for this protection, but this will not be known until sometime in June, days before the next fiscal period, for which, of course, the rates have already been set by the State. If the price does increase significantly, this creates a conundrum for the DRM because the rates were set/approved last year.

The self-insured portion of the Fund is less volatile than the commercial insurance marketplace from the perspective that the State's own loss experience dictates ultimate cost projections, but even then, the timing of the actuarial report, which helps to establish the budget for this portion of the program, is an annual event not conducive to the State's budgeting process.

The point to keep in mind, therefore, when evaluating the 60-day Federal working capital requirement or limit is that risk management does not *intentionally* try to keep excess funds in reserve. However, the timing differences between the budget cycle and the commercial insurance marketplace, in particular, will create differences in amounts—*no one* can predict with 100% accuracy what their premiums from the marketplace will be 10 months in advance of their renewal, absent a rate guarantee. And rate guarantees are not available for a program as large/complex as the State's and with the State's earthquake risk.

The Insurance Dollar

An important concept that underlies any discussion of insurance ratemaking and rate adequacy is the "Insurance Dollar." This can be depicted as follows:

Typical Insurance Program Dollar Split	
Fixed Costs (35%): • Audit, Acquisition, Administration • Boards, Bureaus, Fees • Insurance/Reinsurance • Claims Management • Profit	**Provision for Losses (65%)** • Direct claims costs/payouts • Allocated claims expenses (e.g., attorneys' fees)

This is a typical relationship between fixed costs and the provision for loss. However, it can differ by line of insurance. For example, for Liability, the fixed costs may be higher due to reinsurance costs, which can make the ratio more in the 45/55 range or even higher. For Property, the 35/65 ratio is fairly typical. Note that the profit load for an insurance carrier in this insurance dollar is usually 5% (with additional profit coming from beating the provision for loss), so for a pool, which does not have a profit load, the ratio for Property becomes 30/70, meaning you can hold more losses in your insurance dollar. We point this out for two reasons: 1) it emphasizes that *any* insurance program or pooling arrangement requires a degree of fixed expenses to run it properly, and these costs are not inconsequential; and 2) it gives us a quick "ballpark" check on program efficiency. For instance, the State's program dollar looks something like this:

The Fund's Dollar Split	
Fixed Costs (16%): • Administration • Claims Management	**Provision for Losses (84%)** • Direct claims costs/payouts • Allocated claims expenses (e.g., attorneys' fees)

We determine this by first looking at program losses within the retained or pool layer. If projected losses (not including ULAE) are, say, $20M for the Property/Auto/Liability program pool, then we can use $11M as a kind of benchmark for fixed expenses (35% of $31M, since $20M is 65% of $31M). Fixed expenses of more than $11M would be excessive, while fixed expenses of less than $11M would indicate good operational efficiency. As you will see in the discussion on rate adequacy, expenses attributable to the State's administration of the program are about $3.7M, significantly lower ($7.3M) than the benchmark amount and therefore highly efficient, representing a ratio of around 16/84 v. 35/65. Note that we do not include the cost of excess insurance in this quick-check comparison, as that does not apply to this comparison of the working layer that is the subject of these losses, and those premium costs are "pass throughs." This discussion of a "quick check" of program efficiency can be summarized as follows:

Projected Losses	Expected Expenses	DRM Expenses	Savings
$20M	$11M	$3.7M	$7.3M

The Pension Fund Analogy

One final contextual point we would like to make concerns the long-term viability of the Fund or any pooling arrangement, for that matter. Much like a pension fund, the pool builds up dollars set aside to pay the current (discounted) value of future known liabilities. Even though the amounts are carefully calculated by the actuary, the uninitiated can sometimes assume that excess cash must naturally be sitting "in the bank." However, as has been repeated many times in the pension world, this view often leads to under-funding and even putting the pool at risk. We see the State's current discussion about not funding the rate "impact" as headed in this direction.

While undoubtedly well intentioned, we did note one official communication, dated May 3, 2016, in which the State official indicated that, regarding DAS Rates, "agencies will need to absorb rate increases related to risk management. On the liability side, agencies can reduce pressure on future rate increases by engaging in initiatives that help to prevent claimable liability events (e.g. slips and falls by employees)." Beyond the unfortunate error in savings example (an injury to an employee is a workers compensation incident, not a liability incident), the communiqué fails to recognize that the projected losses already contemplate efforts on the part of DRM and the agencies in safety and loss control activities, plus the fact that the insurance premiums are what they are. Denying the funding puts the loss fund and insurance purchases in jeopardy, and this would be most unfortunate, in our view. Additionally, the actuarial report is based on an expected loss confidence level of 50%, meaning that half the time, losses will be more than expected, and the other half, less than expected. It is *extremely* unlikely that any organization ever hits its expected losses "on the nose." The unpredictable nature of risk is such that the Fund could easily find itself with losses of more than the expected amount, exacerbating a less-than-sufficient funding situation. (Incidentally, the reason an actuary typically uses a 50% confidence level for expected losses is to avoid accumulating loss dollar set-asides higher than necessary over time. The idea is to have adequate, not excessive rates.)

The big picture is that it appears to us that the State has an exemplary Risk Management Fund and should work to ensure it continues to receive the funding it requires. We felt we would be remiss in not mentioning this and urging the State not to fall prey to the same kinds of actions that not only put pension funds across the country in major difficulties, but which have affected many insurance companies over the years, too, forcing them into insolvency.

Section I: How are the rates determined?

As outlined in Utah code 63A-4-101 and 201, through the creation of the Risk Management Fund, the DRM issues insurance policies to customer-agencies, typically with low deductibles, which are easily absorbed by the individual agency, should an insured event occur. However, as is typical of a pool arrangement, the DRM secures financial backing for these policies (Liability, Property, and Auto Physical Damage) through a combination of self-insurance and insurance, optimizing the trade-off between retained losses and insurance premiums for the benefit of the pool and its customer-agencies. The rates charged the customer-agencies for these policies are a *direct reflection* of the costs involved in this funding arrangement. DRM administrative expenses are allocated among these three policies at a rate of 60% Liability, 30% Property, and 10% Auto.

Liability Insurance Policy

For the liability portion of the pool, which covers both General Liability and Auto Liability, the first $1,000,000 per occurrence is a self-insured retention (not subject to an aggregate), over which the State secures an excess policy with a $10,000,000 limit per occurrence, with aggregate limits as outlined in the policy issued to the State. Therefore, three cost components underlie the rate determination: self-insured losses, premiums paid to the excess insurance carrier, and DRM administrative expenses allocation.

An independent, licensed actuary (Deloitte Consulting LLP), who reviews in detail the liability losses that have occurred, projects the expected losses in the self-insured layer based on actuarially sound methodology. We have reviewed the actuary's report and have found it to be in keeping with industry best practices. This expected loss component makes up the largest portion of the premium charged to customer-agencies for liability insurance. The actuary includes the 60% DRM administrative expenses in the expected loss forecast under Unallocated Loss Adjustment Expense (ULAE).

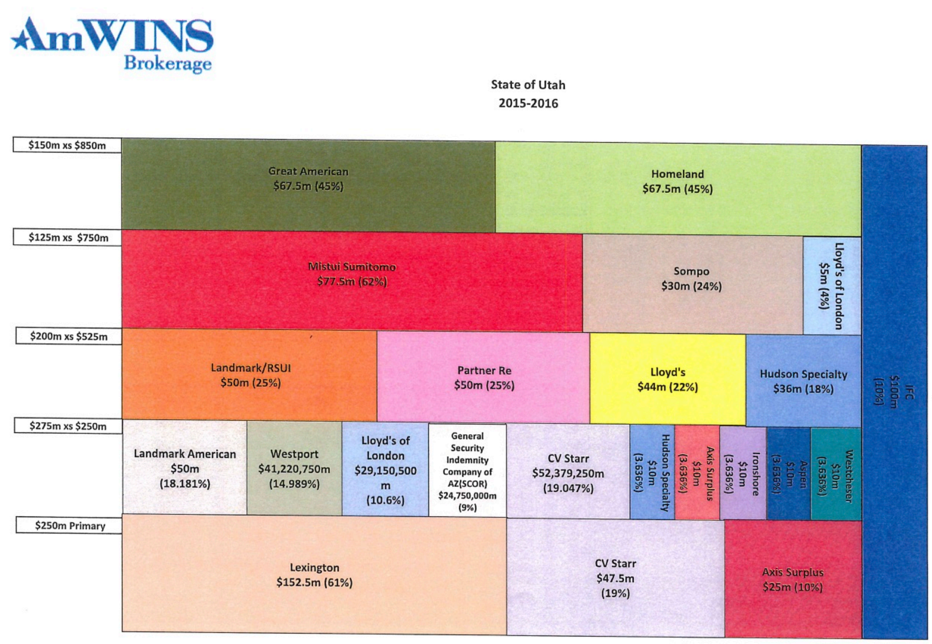
Starr Indemnity & Liability Company, for the period 7/1/2015 to 7/1/2016, provides the State's excess liability policy (as described above) at a premium of $586,500. This premium is a pass-through cost to the pool participants. However, for FY2017, this premium charge was not included in the ratemaking process and not included in the DRM administrative expenses provided to the actuary for use in ULAE calculation (see page 5 of the Deloitte actuarial report dated 7/23/2015). We recommend that this be coordinated with the actuary in future reports to determine how best to include excess liability insurance in the premium allocations to the customer-agencies.

The actuary has worked with the DRM to create a "fair and equitable" allocation methodology that takes into account each customer-agency's exposure base and actual loss experience. (Refer to Appendix G "white paper" dated May 9, 2013 from Deloitte to the State's risk manager in which they describe this methodology in greater detail.)

Property Insurance Policy

For the Property portion of the pool, the State secures a $1B property insurance "tower," subject to a sublimit of $525M for Earthquake coverage. This limit overlays the entire State portfolio of over $32B in insurable values. This is a common practice for portfolios of this size, where the commercial market does not have the capacity to provide a $32B limit, but instead focuses on how much property would be at risk during any one event (fire, windstorm, flood, earthquake, and so on). Earthquake is sub-limited to $525M, as that is all the capacity reasonably available in the marketplace. The deductible is $1,000,000 per occurrence, subject to an annual aggregate (or cap) of $3,500,000, which has the effect of creating a known maximum exposure to losses, subject to maintenance deductibles described below. Accordingly, unlike the liability program, an actuary is not required to predict losses in this layer. A “maintenance” deductible of $1,000 per loss applies prior to losses counting against the aggregate. Once the aggregate is met, the maintenance deductible becomes $10,000 per loss. (For Earthquake and Flood losses, the maintenance deductible before and after the aggregate is $50,000 per loss.)

This is a complex arrangement requiring numerous insurance carriers to “fill out” the capacity for the placement. No one carrier has the capacity or the interest to back a limit of this size. The placement chart for the program looks like this:



For the July 1, 2015 to July 1, 2016 policy term, the premium for this tower was $7,607,272, against a total insured value amount of $32,346,605,918, which equates to a rate of just over 2 cents per $100 in insurable value. As we will elaborate on in the next section, this is an extremely competitive price. Like the premium for the excess liability policy, the premium is a pass-through to customer-agencies.

This Property premium is made up of pricing by layer as shown in the exhibit on the next page:

State of Utah
7/1/2015 Effective

Carrier	Policy Number	Authorization	Layer Share	Quoted Layer	Share Premium
Primary $250,000,000, Incl FL, EQ, & Terrorism (100M High Hazard Flood)					
Lexington Ins. Co	019946850	$ 152,500,000	61.0%	$ 6,078,632	$ 3,707,966
Chubb Custom Insurance Company	44681227-04	$ 15,833,333	6.333%	$ 5,484,616	$ 347,359
Starr Surplus Lines Insurance Company	SLSTPTY10757415	$ 15,833,333	6.333%	$ 5,484,616	$ 347,359
General Security Indemnity Company of AZ	T0234451502075	$ 15,833,334	6.333%	$ 5,484,616	$ 347,359
AXIS Surplus Insurance Company	EAF787963-15	$ 25,000,000	10.0%	$ 5,484,616	$ 548,462
IFC	AMW-150352	$ 25,000,000	10.0%	$ 5,484,616	$ 548,462
Totals		**$ 250,000,000**	**100.0%**		**$ 5,846,967**
$275,000,000 xs $250,000,000, Incl FL, EQ, & Terrorism excluding High Hazard Flood					
Certain Underwriters at Lloyd's of London	B1230AP65058A15	$ 29,150,000	10.6%	$ 1,409,952	$ 149,455
Landmark American Insurance Company	LHD393072	$ 50,000,000	18.2%	$ 1,409,952	$ 256,355
Hudson Specialty Insurance Company	HCS101238	$ 10,000,000	3.636%	$ 1,409,952	$ 51,271
AXIS Surplus Insurance Company	EAF700304-15	$ 10,000,000	3.636%	$ 1,409,952	$ 51,271
Aspen Specialty Insurance Company	PXA6VDG15	$ 10,000,000	3.636%	$ 1,409,952	$ 51,271
Westchester Surplus Lines Insurance Company	D37387848 005	$ 10,000,000	3.636%	$ 1,409,952	$ 51,271
Ironshore Specialty Ins. Co	002068701	$ 10,000,000	3.636%	$ 1,409,952	$ 51,271
General Security Indemnity Company of AZ(SCOR)	10F156629-2015-1	$ 24,750,000	9.0%	$ 1,409,952	$ 126,896
Chubb Custom Insurance Company	44681227-04	$ 17,459,750	6.349%	$ 1,409,952	$ 89,518
Starr Surplus Lines Insurance Company	SLSTPTY10757415	$ 17,459,750	6.349%	$ 1,409,952	$ 89,518
General Security Indemnity Company of AZ	T0234451502075	$ 17,459,750	6.349%	$ 1,409,952	$ 89,518
Westport Ins. Co - *admitted*	NAP 0452287-0	$ 41,220,750	15.0%	$ 1,409,952	$ 211,343
IFC	AMW-150352	$ 27,500,000	10.0%	$ 1,409,952	$ 140,995
Totals		**$ 275,000,000**	**100.0000%**		**$ 1,409,953**
$200,000,000 xs $525,000,000, Excl FL & EQ, Incl Terrorism					
Landmark American Insurance Company	NHD393071	$ 50,000,000	25.0%	$ 180,000	$ 45,000
Hudson Specialty Insurance Company	HCS101239	$ 36,000,000	18.0%	$ 180,000	$ 32,400
Partner Re Ireland Insurance Ltd	F550189-15	$ 50,000,000	25.0%	$ 180,000	$ 45,000
Certain Underwriters at Lloyd's of London	B1230AP65058B15	$ 44,000,000	22.0%	$ 180,000	$ 39,600
IFC	AMW-150352	$ 20,000,000	10.0%	$ 180,000	$ 18,000
Totals		**$ 200,000,000**	**100.0%**		**$ 180,000**
$125,000,000 xs $725,000,000, Excl FL & EQ, Incl Terrorism					
Mistui Sumitomo Insurance Co of America - *admitted*	EXP7000060	$ 77,500,000	62.0%	$ 80,000	$ 49,600
Lloyds of London	CNP-151702	$ 5,000,000	4.0%	$ 80,000	$ 3,360
Sompo Ins. Co of Japan - *admitted*	PEP48816P0	$ 30,000,000	24.0%	$ 80,000	$ 19,392
IFC	AMW-150352	$ 12,500,000	10.0%	$ 80,000	$ 8,000
Hudson Specialty Insurance Company		**$ 125,000,000**	**100.0%**		**$ 80,352**
$150,000,000 xs $850,000,000, Excl FL & EQ, Incl Terrorism					
Homeland Ins. Co	795 003370	$ 67,500,000	45.0%	$ 90,000	$ 40,500
Great American Ins. Co of New York - *admitted*	CPP522180805	$ 67,500,000	45.0%	$ 90,000	$ 40,500
IFC	AMW-150352	$ 15,000,000	10.0%	$ 90,000	$ 9,000
Totals		**$ 150,000,000**	**100.0%**		**$ 90,000**

Premium	**$ 7,607,272**
TIV	**$ 32,346,605,918**
Rate	**$ 0.0235**

The total Property premium to be charged takes into account these Property premiums, other Property-related policy premiums (e.g., Boiler & Machinery and Crime/Fidelity), an amount for estimated or expected paid deductible losses during the fiscal period, and an allocation for DRM expenses (30%). In addition, the DRM makes adjustments for any pre-paid insurance expenses and anticipated payments for the DRM's Sprinkler Rebate Program, which returns money to customer-agencies for participating in proactive measures related to their building sprinkler protection. Finally, the DRM reviews its Net

Retained Earnings standing to determine whether an adjustment is necessary to maintain the 60-day ISF reserve maximum requirement, as much as this can be predicted this far in advance.

Premiums are allocated to each customer-agency by a formula that takes into account not only the value of the buildings/property to be insured, but also individual risk characteristics, such as construction type, year built, sprinkler protection (y/n), alarm protection (y/n), and incentives for such things as participating in flow-test programs to reduce risk. This is an inherently "fair and equitable" approach that recognizes individual customer-agencies' risk profiles.

Automobile Physical Damage Policy

The Automobile coverage provided by the Fund is for physical damage to vehicles, typically known as Comprehensive and Collision coverage. The coverage is 100% self-insured by the pool; no insurance or reinsurance provides any stop-loss protection. This is not unusual given the generally low severity, high frequency nature of this coverage, making loss forecasting more predictable. Administrative allocation to the Automobile coverage is 10%. For FY2017, the customer-agency deductible for this policy has been approved for "up to $1500." However, the Fund will apply a deductible of $750, if the customer-agency cooperates in the claims "best practices" outlined and communicated by the DRM. The cost for the deductibles is borne by each customer-agency at the time an incident occurs and is paid for, by design, out of their own operating budget.

As outlined in H.B.8, the FY2017 rates for Automobile Physical Damage Premiums are as follows:

Public Safety Vehicle (less than $35,000 in cost)	$175 per vehicle, per year
Higher Education (less than $35,000)	$125 per vehicle, per year
Other State Agency (less than $35,000)	$150 per vehicle, per year
School Bus	$200 per vehicle, per year
School District (less than $35,000)	$ 50 per vehicle, per year
Vehicle Valued More than $35,000	.80 per $100/value, per year
Other vehicles: State and Higher Education	$ 75 per vehicle, per year
Other vehicles: School District	$ 50 per vehicle, per year

These rates were promulgated a number of years ago by the DRM and undergo minimal adjustment from year-to-year, if any. A recent change occurred in FY2015, for example, when the School Bus premium was increased from $100 to $200 per year.

Cost is allocated to each customer-agency based on the number of vehicles they have of each type. Total premium collected by the DRM, based on these rates, runs about $2M per year. Expenses against this premium are the 10% Administrative allocation (approximately $365K) and losses. These revenues and expenses have balanced out at a fairly predictable rate for at least the past 5 years, so the rate process is working as desired.

One potential idea the DRM may want to consider regarding the Automobile Physical Damage ratemaking process in the future is to begin to collect loss data by coding it with certain characteristics. This might include type of vehicle and type of agency. At this point, it's hard to predict what the data will tell you, but it may lead to increased ability to fine-tune rate amount and categories, with the caveat that you would need to apply judgment as to how far to go with this. You can reach the point of diminishing returns by trying to fine-tune these rates too much. However, this is certainly not a necessity, as this program's premium and rate structure is clearly meeting the needs and wishes of your customer-agencies.

Another area the DRM may want to evaluate is value concentration. For example, some schools or school districts are known to have bus yards, which can contain a large aggregation of values, susceptible to major losses such as fire, flood, or vandalism. It may be that you would want to purchase excess insurance for this value concentration exposure or find a way to include it under your existing Property insurance program.

Conclusion

Based on our experience, the rate development for each line of coverage is in keeping with the needs and nuances of each. Importantly, these processes provide each customer-agency with a "fair and equitable" (also called "fair and legitimate") rate and premium, equitably charged relative to the other participants in the pool.

Section II: Are the rates reasonable?

In the context of insurance rates and whether they are reasonable (i.e., "economically and actuarially sound"), three questions need to be considered, namely:

1. Economical: Compared to what?
2. Actuarially sound: Will amounts collected be sufficient to fund losses now and in the future?
3. Do they comply with 60-day working capital guidelines?

Economical Rates?

Whether insurance is economical depends both on how it compares to the market in general (e.g., could you buy it less expensively elsewhere?) and, importantly, what coverage is provided and by whom. Commercial Insurance, in particular, is rarely equal in terms of the coverage grants provided from one carrier to another, plus the financial strength and ability to honor the future commitment that lies at the heart of an insurance contract is of paramount importance. What looks like a "cheap" price from a lower-rated carrier may end up an empty promise and a complete waste of money.

One thing that stands out to us about the Fund's rates for its customer-agencies is that the rates are very competitive compared to the market, the coverage they represent provides broad—in some cases extraordinarily broad—protection, and they are backed by a solid financial foundation. Here are two examples to illustrate the point regarding the cost/coverage/service combination:

A. The Property program has uncommonly broad coverage and is backed by leading insurance carriers with high Best's ratings. For instance, the policy:

- Covers all property of an insurable nature. The policy form most carriers use (created by the Insurance Services Office or ISO) includes a list of property *not* covered.
- Covers "all risk of physical loss" from any cause.
- Covers cost to "replicate or restore" buildings on the Utah Historical Registry, which could be an invaluable coverage enhancement should one of the buildings be damaged.
- Includes coverage for any "course of construction" exposure up to $100M in limits, with a $50K deductible.
- A flat deductible of $50K applies earthquake or flood losses; no separately described percentage or coinsurance deductible—which typically falls in the 2% to 5% range or more—applies. This is significant because let's say the Capitol, valued at $500M, were to suffer a total loss due to an earthquake. Under the State's program, the deductible would be $50K versus $10M to $25M (2% to 5%) as frequently stipulated in the market.

At the same time, pricing for this broad coverage is low to very low compared to the market. To cite some examples, we looked at the cost allocation of a random set of State Agency properties and compared them to our best estimate (facilitated by the State's property insurance broker) of what the market would charge on a stand-alone basis for these locations, using a $1,000 deductible that the customer-agencies currently are responsible for. Note that it was not possible to get a complete apples-to-apples comparison, but it is unlikely the coverage grants from the market would be as broad as the State's program, nor would the agency get a $1,000 deductible for Earthquake coverage. The next table is a comparison of Fund Premium to Market Premium, with the percentage below market the Fund provides.

Asset Name	Asset Owner	Value	Fund Premium	Market Premium	Variance % to Market
Wasatch HS	Wasatch Schools	$82,240,000	$29,952	$65,792	-55%
Union Middle School	Canyons Schools	$31,760,232	$19,729	$31,760	-38%
Davis Campus Bldg	Weber State	$23,965,591	$8,139	$23,966	-64%
Univ. Guest House	Univ of Utah	$18,800,236	$1,831	$18,800	-90%
Armory W. Jordan	National Guard	$17,900,000	$4,803	$17,900	-73%
Whittier Elementary	Granite Schools	$17,000,000	$2,421	$17,000	-85%
Bear Lake Rest Area	UDOT	$461,999	$153	$924	-83%
W Baseball Club.	Grand Schools	$445,200	$360	$890	-59%

You can also refer to Appendix F to view a letter from Moreton to the State's risk manager regarding a premium indication to split out the Department of Natural Resources, with its 850 properties, separately from the Fund. The cost to do so is estimated to be approximately $526,000, almost 68% more than the $313,543 the DNR is currently paying to the Fund. You can see that is consistent with the examples shown above.

In addition, the Auto Physical Damage rates charged by the State to its customer-agencies are likewise very inexpensive. We look at those rates and see, for example, a Bus rate of only $200, when in the market that could be as high as $2,000. The rates for Private Passenger Vehicles are likewise significantly lower than the market.

B. The DRM works to ensure that the losses that ultimately generate the rates are kept to a minimum through proactive loss control, safety, and claims management practices. For example, on the property side, the DRM loss control personnel have created program around flow-control testing of sprinkler protection (with incentives for reduced premiums, as mentioned earlier). An example on the liability side is education and training around reducing losses to the public due to trip and fall hazards. From a claims management perspective, the DRM claims team operates at a cost significantly lower than what a third-party administrator would charge, plus the fact that legal assistance is provided directly by the State attorney general's office means a significant reduction in legal costs to the pool. (Estimates provided by Perlinski & Company's relatively recent audit of the DRM's operational practices indicate roughly a 33% cost savings through the DRM handling these processes internally versus using an outside party.) Moreover, the DRM claims team has created a number of specific programs designed to reduce the costs associated with auto accidents. To cite one example, they have created a network of approved repair shops throughout the state, which provide "PPO-like" discounts on parts and labor.

In addition to inexpensive rates and broad coverage, the pool backs this protection, either through appropriate funding or through excess insurance purchased from financially secure insurance carriers, giving the customer-agencies the assurance that the coverage will respond when and if it's needed. Carriers backing the State's Liability and Property programs include the following carriers and are rated either "Superior" or "Excellent" by Best's, as you can see from the table. Generally speaking, we recommend doing business only with carriers rated "B+" or better, with "A" or better preferred. We also generally recommend, particularly for large organizations like the State, that the Financial Size be category "X" or better. Here again, the State meets this recommendation.

Carrier	Financial Strength Rating	Financial Size Category	Opinion Outlook
CV Starr	A	XIV	Stable
Lexington	A	XV	Negative
AXIS	A+	XV	Stable
Landmark American	A+	XIII	Stable
Westport	A+	XV	Stable
Lloyds of London	A	XV	Positive
General Security/SCOR	A	XV	Positive
Hudson Specialty	A	XV	Stable
Ironshore	A	XIV	Negative
Aspen	A	XV	Positive
Westchester	A++	XV	Negative
Partner Re	A	XV	Stable
Mistui Sumitomo	A+	XV	Stable
Sompo Japan	A+	XV	Stable
Great American	A+	XIV	Stable
Homeland	A	X	Stable

A guide to these Best's ratings categories is outlined below.

Financial Strength Rating

Best's assigns a "Financial Strength" rating to each carrier it reviews. A qualitative rating, it is a reflection of that carrier's financial strength and ability to meet its ongoing insurance policy and contract obligations. This is considered the most important of the Best's ratings, since it comes only after a thorough review by Best's of an insurance company's management practices, reinsurance purchases, financial strategy, high level underwriting practices, and so forth.

Rating Symbol	Rating Category
A+, A++	Superior
A-, A	Excellent
B+, B++	Good
B-, B	Fair
C+, C++	Marginal
C-, C	Weak
D	Poor

Financial Size Category

Best's assigns this category to all insurance companies to enhance the usefulness of the preceding rating. A quantitative rating, this category reflects the capital, surplus, and conditional reserve funds of the company in millions of U.S. dollars. It is an indication of an insurance carrier's financial capacity to provide the necessary policy limits to insure the risks it underwrites. A "risk" as large as the State requires insurance carriers with significant financial capacity.

Category	Description (millions)
I	Less than 1
II	1-2
III	2-5
IV	5-10
V	10-25
VI	25-50
VII	50-100
VIII	100-250
IX	250-500
X	500-750
XI	750-1,000
XII	1,000-1,250
XIII	1,250-1,500
XIV	1,500-2,000
XV	Greater than 2,000

Opinion Outlook

Best's provides an "Opinion Outlook" determination to supplement the assigned rating as an indication of the potential future direction of the rating over an intermediate period, generally defined as the next 36 months.

- "Positive": Indicates that the insurance company is experiencing favorable financial and market trends, relative to its current rating. If these trends continue, the company has a good possibility of having its rating upgraded.
- "Stable": Indicates that the insurance company is experiencing stable financial and market trends, and that there is a low likelihood the company's rating will change over an intermediate period.
- "Negative": Indicates that the insurance company is experiencing unfavorable financial and market trends, relative to its current rating. If these trends continue, the company has a good possibility of having its rating downgraded.

Actuarially Sound?

To ensure the Fund is both "economically and actuarially sound," the DRM has created a program as described in Section I, which combines both self-insurance and insurance, to optimize the trade-off between retained losses and insurance premiums. For the self-insured liability portion of the program, in keeping with industry best practices, the DRM uses the services of a licensed actuary to establish loss reserve estimates annually in order to ensure the Fund is collecting what is necessary to remain solvent (i.e., "rates sufficient to keep the Fund out of the red"). We have reviewed the Deloitte actuarial report dated July 25, 2015 and have found that it appropriately addresses the future liabilities associated with the Liability program and recommends the proper level of funding. The insurance purchased by the pool to keep retained losses within the pool's financial capacity is, as mentioned above, secured at very competitive pricing from financially sound insurance companies.

Actuarial services are not required for the property or auto physical damage portions of the Fund because these exposures have much shorter loss settlement periods or "tails" and, in the case of the property program, have a defined aggregate liability, currently $3.5 million. The DRM has demonstrated an ability to estimate loss experience and collect the required amount of funding, without being excessive. This is evidenced by the year-over-year retained earnings analysis of these two lines of insurance in which, except for unusual circumstances involving claims settlement or claims recovery payments from insurance carriers, the DRM has been able to maintain funding within ISF guidelines.

Do Retained Earnings Meet 60-day Requirement?

The DRM is constrained, in addition to creating an economical and actuarially sound program, to ensure that working capital ("retained earnings") is kept within the 60-day requirement set by Federal guidelines pertaining to Internal Service Funds. As stated earlier, the DRM *does not* deliberately build excess cash reserves into its pricing models for expenditures. (This is not to be confused with the forecasting of liabilities for example, in which money is set aside to pay for future payment of incurred and incurred-but-not-reported liabilities, which the actuary forecasts each year so that the DRM can factor these into rate/premium requests.)

If you look at the "Reconciliation of Retained Earnings Balance to Federal Guidelines For Year Ending June 30, 2015" (dated 3/3/16), which the State Department of Finance provided to us, you will note the following:

	ISF 6900—Property	ISF 6910—Auto	ISF 6920—Liability
Balance	$ 3,808,992	$ 137,285	$ 1,361,082
Allowed Balance	2,002,224	299,715	2,571,726
Excess/(Under)	1,806,768	(162,430)	(1,210,644))

As you can see, as of June 30, 2015, the Internal Service Funds for Auto and Liability are actually under the requirement (though still in a positive cash position), whereas the Property ISF is in an excess position. This is not a function of over-charging, but rather a good example of the vortex in which risk management must necessarily operate, notably insurance market predictions, claims payout amount and timing predictions, and insurance recoveries. In fact, multiple insurance recoveries (i.e., reimbursements from the carriers for losses in excess of the deductible) hit in FY2015. Because the timing of these recoveries is very difficult, if not close to impossible to predict that far in advance, there are times when they can cause a temporary "excess" in the allowed balance. When that happens, the DRM submits a plan to reduce the Retained Earnings amount, which the Federal guidelines typically allow two years to correct. Such is the case for this FY2015 excess.

Incidentally, under the Federal guidelines, each of these cost categories stands unto itself; the funds in them are not fungible, where the excess in one can be used to offset the under-reserve in another. In addition the Federal guidelines are not concerned with an ISF being in an under-reserved position and thus do not require any action in those instances.

Conclusion

From our review, we are confident in the methodology the DRM employs to try to accurately forecast claims, premium, and incentive reimbursements associated with these three lines of coverage in an effort to ensure compliance with the 60-day requirement and, barring unforeseen timing variables, is generally successful in doing so.

Section III: How are the State's rates communicated to its customers?

The DRM uses several methods to communicate its rates to its customer-agencies and to involve these customers, in general, throughout the ratemaking process.

Rate Committee

A primary vehicle for communicating rates begins with the Rate Committee. This committee is comprised of representatives from the Governor's Office, State Finance, Technology Services, and other department executives who serve on the committee on a rotating basis. The committee meets in the fall of each year. Prior to this meeting, a "notice to the public" is provided to all State agencies, and a notice is also posted on the State "Public Notice Website," thus giving the customer-agencies an opportunity to review and comment on the proposed rates. From the perspective of the DRM, the purpose of the committee is for the State's risk manager to propose the DRM's new rates and to discuss them in an open forum. The committee meets up to three times to review the rates and commentary, and make modifications, as needed or warranted. Once the committee approves the rates, they are submitted both to the Governor's office and to the Utah State Legislature.

Detailed Invoicing

Invoices to the customer-agencies detail the coverage and exposure data that supports the premium charge. Take, for example, the property invoicing.

Prior to receiving an invoice, the customer-agency participates in an annual "Statement of Value" or "SOV" update. They do this by logging on to the DRM Riskonnect portal created specifically for this purpose. The portal allows each customer-agency to update their respective property listing in terms of values (building, equipment, and contents) and attributes (e.g., square footage increases, newly acquired property, sold property, and so forth). Once the customer-agency completes their input into the Riskonnect system, the DRM reviews the data, clarifies with each customer-agency any questions, and then uses this data to generate invoices. See Appendix E for a sample Property invoice. This appears to us to be clearly communicated with an appropriate level of detail.

Risk Watch Newsletter

The DRM distributes a newsletter, Risk Watch, to its customer-agencies addressing a variety of risk-related topics, including commentary and/or information on rates and premiums and the risk-related activities that affect them. See Appendix H for an excerpt from one of these newsletters.

Involvement in Loss Control, Safety, and Claims Management Best Practices

The DRM makes it clear to its customer-agencies that, as a pool, each agency can help reduce the overall costs to the pool and to their own costs by proactively participating in the loss control, safety, and claims management "best practices" espoused and taught by the DRM. DRM professionals in each of these areas work regularly with the customer-agencies to provide education, training, guidance, and monitoring of these best practices.

Conclusion

In addition to creating several proactive opportunities for its customer-agencies to be involved in the ratemaking process, the DRM appears to be responsive to individual customer-agency requests for information or clarification. The DRM also creates educational opportunities and incentives to help its customers understand how to reduce their costs now and in the future. These communication methods, to us, all speak to a program that is functioning well and with full transparency to its customer-agencies.

Section IV: Conclusions and Recommendations

Based on our review of the Property, Auto, and Liability rates the DRM charges its customers of the Risk Management Fund, how these rates are developed and allocated, and how they are communicated, we have concluded:

1. The rates and premiums are developed using industry best practices and, in the case of the Liability program, are based on actuarially sound methodology. The premium distribution based on these rates is done in a thoughtful manner, resulting in "fair and legitimate" premiums for each customer-agency, which receives an equitable charge relative to the other participants in the pool.
2. The rates and premiums are reasonable in that they meet the tests of being both economical and actuarially sound. Assuming they are fully funded, they are sufficient to keep the Fund out of the red, yet still within compliance of ISF guidelines surrounding the 60-day working capital reserve maximum.
3. While the State is currently over the 60-day limit with regard to its Property account (ISF 6900), we did not find this current excess is due to unsubstantiated charges beyond what is justified by the premium, loss, and administrative expenses. Excess funds are not intentionally built into the ratemaking process. Instead, timing differences between the State's budgeting process and how the insurance marketplace operates, how and when claims are settled, and how Internal Service Funds are calculated, will inevitably result in short-term misalignment, depending upon the day the ISF calculation occurs. We did note that Federal guidelines allow the DRM two years to bring excess funds into compliance and that the DRM has a plan to do so.
4. The rates are communicated to the Fund's customer-agencies in an open, transparent, detailed manner, with several opportunities for the customers to interact with the DRM throughout the process, from ratemaking to billing to ongoing support to newsletters.
5. Rate equity and ongoing Fund viability would be put into jeopardy if the rates are not fully funded, which, in our view, puts the State's risk manager into a non-compliant position with regard to State requirements concerning rate adequacy and proportionate share cost allocation, and Federal guidelines surrounding Internal Service Funds.

Summary of Recommendations

1. Consider tweaking your loss coding for Auto physical damage to capture claims by type of vehicle, type of customer-agency, and potentially other attributes.
2. Evaluate excess or stop loss insurance to protect your Auto program from catastrophic events involving concentration of values, such as bus yards.
3. Create a structured process to include the anticipated cost of excess liability insurance in the actuarial loss rates prior to finalizing these rates with the rate committee. We suggest involving your actuary in a solution that would integrate most effectively with your ratemaking methodology.

Section V: Appendices

A. List of Interviewees
B. Risk Management Financial Reporting Chart
C. House Bill 8 (Risk Management Excerpt)
D. Risk Rate Impact
E. Example Communication: Property Premium
F. Moreton Property Premium "Indication" for Utah Department of Natural Resources
G. Deloitte Liability Premium Allocation "White Paper"
H. Risk Watch Newsletter Sample

A. List of Interviewees

State of Utah, Department of Administrative Services, Division of Risk Management

Kamron Dalton	Risk Support Services Manager
Tani Pack Downing	Director
Stephen Hewlett	Assistant Director
David Lund	Assistant Utah Attorney General, Litigation Division
Brian Nelson	Assistant Director

State of Utah, Department of Administrative Services, Division of Finance

Lynda McLane, CPA	Accountant, Financial Reporting
John Reidhead, CPA	Director

Deloitte Consultants, LLP (Actuary)

Rod Morris, FCAS, FSA, MAAA	Specialist Leader; Actuarial, Rewards & Analytics

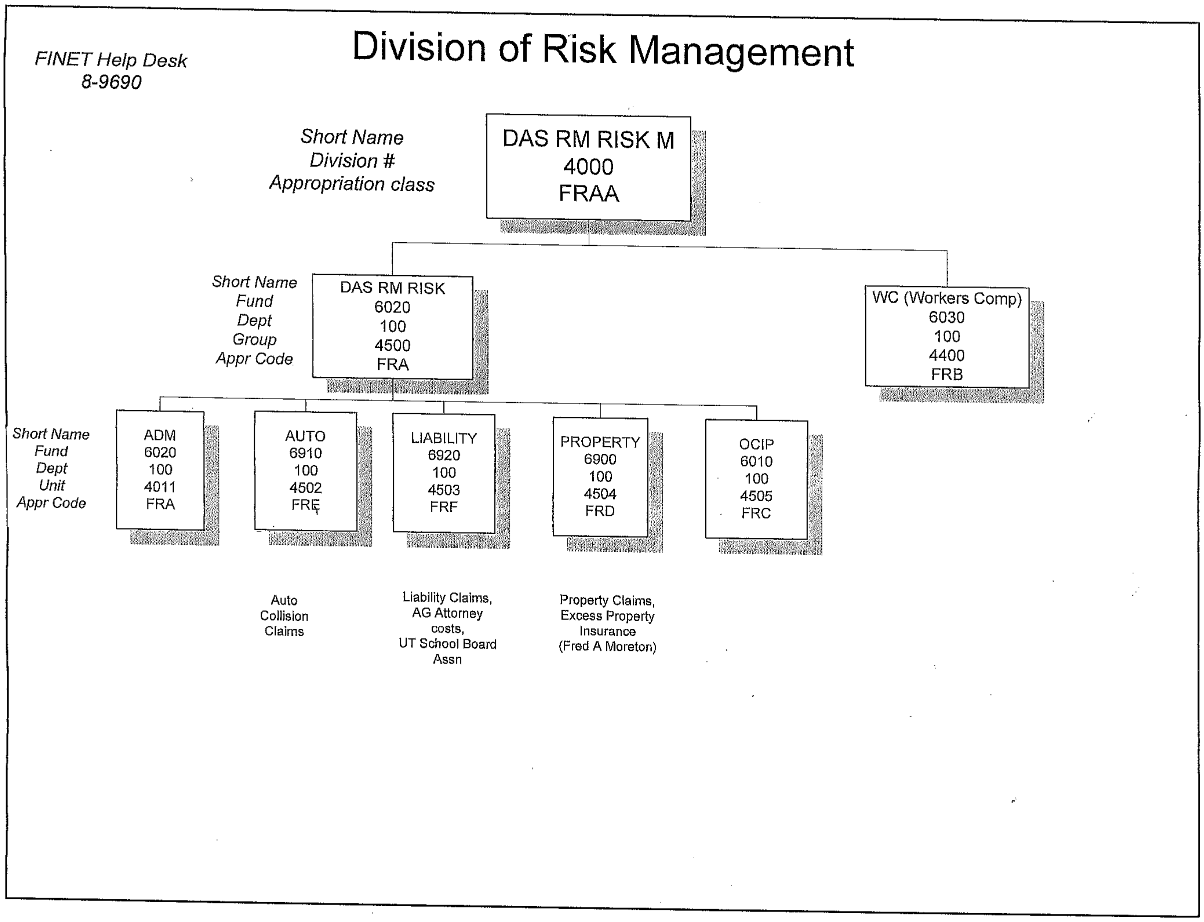
Moreton & Company (Property Insurance Broker)

Jon Stutz, CPCU	Senior Account Executive

Aon Risk Solutions (Liability Insurance Broker)

Keri Chappell	Senior Account Executive

B. Risk Management Financial Reporting Chart



C. House Bill 8 (FY17 Authorized Rates): Pages 49-53 (lines 1800-1945) Dealing with Risk Management

RISK MANAGEMENT
1800 ISF - Risk Management Administration
1801 Liability Premiums
1802 Administrative Services 412,836.00
1803 Agriculture 42,537.00
1804 Alcoholic Beverage Control 89,311.00
1805 Attorney General's Office 165,404.00
1806 Auditor 12,572.00
1807 Board of Pardons 12,674.00
1808 Capitol Preservation Board 11,334.00
1809 Career Service Review Office 623.00
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H.B. 8 Enrolled Copy
1810 Commerce 89,920.00
1811 Commission on Criminal and Juvenile Justice 5,956.00
1812 Heritage and Arts 36,057.00
1813 Corrections 751,058.00
1814 Courts 335,043.00
1815 Utah Office for Victims of Crime 4,182.00
1816 Education 230,470.00
1817 Deaf and Blind School 72,779.00
1818 Environmental Quality 118,423.00
1819 Fair Park 17,278.00
1820 Financial Institutions 15,147.00
1821 Governor 29,760.00
1822 Governor's Office of Management and Budget 26,295.00
1823 Governor's Office of Economic Development 86,599.00
1824 Health 377,919.00
1825 Heber Valley Railroad 3,134.00
1826 House of Representatives 10,601.00
1827 Human Resource Management 36,325.00
1828 Human Services 758,922.00
1829 Labor Commission 30,862.00
1830 Insurance 151,738.00
1831 Legislative Fiscal Analyst 9,228.00
1832 Legislative Auditor 8,417.00
1833 Legislative Printing 1,319.00
1834 Legislative Research & General Counsel 20,167.00
1835 Medical Education Council
1836 National Guard 106,895.00
1837 Natural Resources 347,773.00
1838 Public Lands 14,502.00
1839 Public Safety 480,862.00
1840 Public Service Commission 11,077.00

1841 School and Institutional Trust Lands 23,155.00
1842 Senate 6,214.00
1843 Tax Commission 163,680.00
1844 Technology Services 225,603.00
1845 Treasurer 6,765.00
1846 Utah Communications Network 9,222.00
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1847 Utah Science and Technology and Research 7,840.00
1848 Veteran's Affairs 5,012.00
1849 Workforce Services 396,884.00
1850 Transportation 2,471,000.00
1851 Board of Regents 68,396.00
1852 Dixie State University 139,526.00
1853 Salt Lake Community College 234,328.00
1854 Snow College 82,125.00
1855 Southern Utah University 150,101.00
1856 Bridgerland Applied Technology College 28,479.00
1857 Davis Applied Technology College 31,069.00
1858 Ogden Weber Applied Technology College 32,216.00
1859 Uintah Basin Applied Technology College 23,268.00
1860 Tooele Applied Technology College 6,819.00
1861 Dixie Applied Technology College 9,846.00
1862 Mountainland Applied Technology College 16,534.00
1863 Southwest Applied Technology College 9,570.00
1864 University of Utah 1,370,353.00
1865 Utah State University 542,179.00
1866 Utah Valley University 407,741.00
1867 Weber State University 312,685.00
1868 School Districts 4,685,886.00
1869 Property Insurance Rates
1870 Net Estimated Premium 17,093,905.00
1871 Gross Premium for Buildings
1872 Existing Insured Buildings
1873 Existing Insured Buildings See formula
1874 Building value as determined by Risk Mgt. & owner as of June 2015
1875 multiplied by the Marshall & Swift Valuation Service rates as of March 2015
1876 associated w/ Building Construction Class, Occupancy Type, Building
1877 Quality, & Fire Protection Code
1878 Newly Insured Buildings
1879 Newly Insured Buildings See formula
1880 Building value as determined by Risk Mgt. & owner as of insured date
1881 multiplied by the Marshall & Swift Valuation Service rates as of March 2015
1882 associated w/ Building Construction Class, Occupancy Type, Building
1883 Quality, & Fire Protection Code
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H.B. 8 Enrolled Copy

Building Demographic Discounts
Fire Suppression Sprinklers 15% discount
Smoke alarm/Fire detectors 5% discount
Flexible water/Gas connectors 1% discount
Surcharges
Lack of compliance with Risk Mgt. recommendations 10% surcharge
Building built prior to 1950 10% surcharge
Agency Discount1 63.5% discount
Agency Discount2 See formula
Agency specific discount negotiated w/ Risk Mgt
Gross Premium for Contents
Existing Insured Buildings
Existing Insured Buildings See formula
Content value as determined by owner as of June 2015 multiplied by the Marshall & Swift Valuation Service rates as of March 2015 associated w/ Building Construction Class, Occupancy Type, Building Quality, & Fire Protection Code
Newly Insured Buildings
Newly Insured Buildings See formula
Content value as determined by owner as of insured date multiplied by the Marshall & Swift Valuation Service rates as of March 2015 associated w/ Building Construction Class, Occupancy Type, Building Quality, & Fire Protection Code
Gross Premium Discounts/Penalties
Non-Compliance Penalty - Meeting Minutes 5% Penalty
Up to 5% penalty for non-compliance with Risk loss control activities, namely submitting Risk Control meeting minutes on a quarterly basis.
Non-Compliance Penalty - Self Inspection Survey 10% Penalty
Up to 10% penalty for non-compliance with Risk loss control activities, namely submitting the annual Self Inspection Survey.
Specialized Lines of Coverage See Formula
Specialized lines of insurance outside of typical coverage lines. Pass through costs direct from insurance provider.
Automobile/Physical Damage Premiums
Public Safety rate for value less than $35,000 (per vehicle) 175.00
Higher Education rate for value less than $35,000 (per vehicle) 125.00
Other state agency rate for value less than $35,000 (per vehicle) 150.00

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Enrolled Copy H.B. 8

School bus rate (per vehicle) 200.00
School district rate for value less than $35,000 (per vehicle) 50.00
Rate for value more than $35,000 (per $100 of value) 0.80
Other vehicles or related equipment
State and Higher Education (per vehicle) 75.00
School District (per vehicle) 50.00

Standard deductible (per incident) 1,500.00

Up to this amount with discounts available for compliance with specifically identified Risk Management loss control activities.

Workers Compensation Rates

UDOT 1.25% per $100 wages

State Agencies 0.70% (except UDOT)

Aviation (per PILOT-YEAR) $2,200

Course of Construction Premiums

Rate per $100 of value 0.053

Charged for half of a year

Charter Schools

Liability ($2 million coverage)

Charter School Pre-opening Liability Coverage (per School) 1,000.00

$1,000 minimum (per student) 8.00

Property ($1,000 deductible per occurrence)

Cost per $100 in value, $100 minimum 0.10

Comprehensive/Collision ($500 deductible per occurrence)

Cost per year per vehicle 150.00

Employee Dishonesty Bond (per year) 250.00

D. Risk Rate Impact

Sum of Impact	Rate Type		
Entity	**Liability**	**Property**	**Grand Total**
ADMINISTRATIVE SERVICES		$0.00	$0.00
ADMINISTRATIVE SERVICES - ADMINISTRATIVE RULES		$1.18	$1.18
ADMINISTRATIVE SERVICES - ARCHIVES		-$659.93	-$659.93
ADMINISTRATIVE SERVICES - DEBT COLLECTION		$1.91	$1.91
ADMINISTRATIVE SERVICES - EXECUTIVE DIRECTOR	$28,895.00	$1.35	$28,896.35
ADMINISTRATIVE SERVICES - FACILITIES		$41,853.02	$41,853.02
ADMINISTRATIVE SERVICES - FINANCE		-$396.33	-$396.33
ADMINISTRATIVE SERVICES - FLEET		$15,214.56	$15,214.56
ADMINISTRATIVE SERVICES - GENERAL SERVICES		$0.00	$0.00
ADMINISTRATIVE SERVICES - PURCHASING		-$15,795.07	-$15,795.07
ADMINISTRATIVE SERVICES - RISK MANAGEMENT		-$2,805.59	-$2,805.59
AGRICULTURE	$1,747.00	$155.17	$1,902.17
ALCOHOLIC BEVERAGE CONTROL	$4,349.00	-$35,933.02	-$31,584.02
ALPINE SCHOOL DISTRICT		-$2,080.93	-$2,080.93
ATTORNEY GENERALS OFFICE	$59,643.00	$74.74	$59,717.74
AUDITORS OFFICE	$710.00	$4.94	$714.94
BEAVER SCHOOL DISTRICT		$604.89	$604.89
BOX ELDER SCHOOL DISTRICT		$30,010.12	$30,010.12
CACHE SCHOOL DISTRICT		$6,693.39	$6,693.39
CANYONS SCHOOL DISTRICT		$53,620.99	$53,620.99
CAPITOL PRESERVATION BOARD	$569.00	-$2,093.62	-$1,524.62
CARBON SCHOOL DISTRICT		$15,599.19	$15,599.19
CAREER SERVICE REVIEW BOARD		$0.48	$0.48
Career Service Review Board	$34.00		$34.00
CHARTER SCHOOLS	-$40,010.00	-$42,332.32	-$82,342.32
COMMERCE DEPARTMENT	$10,962.00	$19.54	$10,981.54
CORRECTIONS - CUCF		$11,522.53	$11,522.53
CORRECTIONS - UTAH STATE PRISON	-$102,053.00	$13,195.35	-$88,857.65
CORRECTIONS AP & P		$533.26	$533.26
COURTS	$60,766.00	$1,631.67	$62,397.67
DAGGETT SCHOOL DISTRICT		$4,074.17	$4,074.17
DAVIS COUNTY SCHOOL DISTRICT		$61,827.83	$61,827.83
DIXIE STATE UNIVERSITY	$25,944.00	-$14,194.34	$11,749.66
DUCHESNE SCHOOL DISTRICT		$7,200.25	$7,200.25
EDUCATION	-$51,769.00	-$5,909.63	-$57,678.63
EMERY SCHOOL DISTRICT		$9,999.91	$9,999.91
Environmental Quality	$19,499.00		$19,499.00
ENVIRONMENTAL QUALITY DEPARTMENT		-$13,494.27	-$13,494.27
FINANCIAL INSTITUTIONS	-$597.00	$3.01	-$593.99
GARFIELD SCHOOL DISTRICT		$1,211.35	$1,211.35

Governor	$16,588.00		$16,588.00
GOVERNORS OFFICE		$742.38	$742.38
GOVERNORS OFFICE - CRIMINAL AND JUVENILE JUSTICE		$5.86	$5.86
GOVERNORS OFFICE - ECONOMIC DEVELOPMENT		-$277.40	-$277.40
GOVERNORS OFFICE - OFFICE OF MANAGEMENT & BUDGET		$26.95	$26.95
GOVERNORS OFFICE - UTAH OFFICE FOR VICTIMS OF CRIME		$190.05	$190.05
GRAND SCHOOL DISTRICT		$1,536.78	$1,536.78
GRANITE SCHOOL DISTRICT		$58,210.88	$58,210.88
HEALTH DEPARTMENT	$64,587.00	-$964.94	$63,622.06
HEBER VALLEY RAILROAD	-$782.00	$366.18	-$415.82
HERITAGE AND ARTS DEPARTMENT	$3,485.00	$9.71	$3,494.71
HERITAGE AND ARTS DEPARTMENT - ARTS & MUSEUMS DIVISION		$3,928.47	$3,928.47
HERITAGE AND ARTS DEPARTMENT - LIBRARY		$5,348.97	$5,348.97
HERITAGE AND ARTS DEPARTMENT - STATE HISTORY		$51,266.90	$51,266.90
HOUSE OF REPRESENTATIVES	$1,109.00	$10.53	$1,119.53
HUMAN RESOURCE MANAGEMENT	$6,275.00	$10.27	$6,285.27
HUMAN SERVICES - JUVENILE JUSTICE SERVICES		-$291.32	-$291.32
HUMAN SERVICES - STATE HOSPITAL		$9,501.71	$9,501.71
HUMAN SERVICES DEPARTMENT	$37,129.00	-$1,541.01	$35,587.99
HUMAN SERVICES DEPARTMENT-DEVELOPMENTAL CENTER		$1,903.13	$1,903.13
INSURANCE DEPARTMENT	$4,254.00	$13.59	$4,267.59
IRON SCHOOL DISTRICT		$6,559.69	$6,559.69
JORDAN SCHOOL DISTRICT		$17,284.89	$17,284.89
JUAB SCHOOL DISTRICT		$3,211.66	$3,211.66
JUDICIAL CONDUCT COMMISSION		$0.27	$0.27
KANE SCHOOL DISTRICT		-$167.32	-$167.32
LABOR COMMISSION	-$1,520.00	$42.35	-$1,477.65
LEGISLATIVE AUDITORS OFFICE	$1,042.00	-$9.94	$1,032.06
LEGISLATIVE FISCAL ANALYSTS OFFICE	$94.00	$1.37	$95.37
LEGISLATIVE PRINTING	-$251.00	-$93.04	-$344.04
LEGISLATIVE RESEARCH & GENERAL COUNSEL	$2,581.00	$6.08	$2,587.08
LOGAN CITY SCHOOL DISTRICT		$14,518.57	$14,518.57
MEDICAL EDUCATION COUNCIL		$0.56	$0.56
MILLARD SCHOOL DISTRICT		$1,443.77	$1,443.77
MORGAN SCHOOL DISTRICT		$2,330.85	$2,330.85
MURRAY SCHOOL DISTRICT		$4,245.53	$4,245.53
NATIONAL GUARD	$18,672.00	$169,591.21	$188,263.21
NATIONAL GUARD - CAMP WILLIAMS		$0.00	$0.00
NATURAL RESOURCES - FORESTRY, FIRE & STATE LANDS		$8,952.19	$8,952.19
NATURAL RESOURCES - OIL, GAS & MINING		-$4.66	-$4.66
NATURAL RESOURCES - PARKS & RECREATION		$242,728.32	$242,728.32
NATURAL RESOURCES - UTAH GEOLOGICAL SURVEY		$108.89	$108.89
NATURAL RESOURCES - WATER RESOURCES DIVISION		$71,010.52	$71,010.52

NATURAL RESOURCES - WATER RIGHTS DIVISION		-$545.28	-$545.28
NATURAL RESOURCES - WILDLIFE RESOURCES		-$131.90	-$131.90
NATURAL RESOURCES DEPARTMENT	-$82,386.00	-$28,827.10	-$111,213.10
NAVAJO TRUST FUND		$493.49	$493.49
NEBO SCHOOL DISTRICT		$26,840.42	$26,840.42
NORTH SANPETE SCHOOL DISTRICT		$14,254.43	$14,254.43
NORTH SUMMIT SCHOOL DISTRICT		$2,853.44	$2,853.44
NORTHEASTERN UTAH EDUCATIONAL SERVICES (NUES)		$184.12	$184.12
OGDEN CITY SCHOOL DISTRICT		-$5,734.46	-$5,734.46
PARDONS, BOARD OF		-$993.51	-$993.51
PARK CITY SCHOOL DISTRICT		$1,085.54	$1,085.54
PIUTE SCHOOL DISTRICT		$691.08	$691.08
PROVO SCHOOL DISTRICT		$17,362.77	$17,362.77
PUBLIC LANDS POLICY OFFICE	$3,574.00	$4.23	$3,578.23
PUBLIC SAFETY - FIRE MARSHAL		$13.12	$13.12
PUBLIC SAFETY DEPARTMENT	$76,735.00	-$13,436.05	$63,298.95
PUBLIC SAFETY/DRIVER LICENSE DIV		-$317.91	-$317.91
PUBLIC SAFETY/EMERGENCY SERVICES		-$17.90	-$17.90
PUBLIC SERVICE COMMISSION	$541.00	$21.24	$562.24
RICH SCHOOL DISTRICT		$911.06	$911.06
SALT LAKE COMMUNITY COLLEGE	$16,276.00	-$20,203.87	-$3,927.87
SALT LAKE SCHOOL DISTRICT		$3,877.41	$3,877.41
SAN JUAN SCHOOL DISTRICT		$14,514.25	$14,514.25
SCHOOL DISTRICTS	-$81,229.00		-$81,229.00
SCHOOLS FOR THE DEAF AND BLIND		$1,403.41	$1,403.41
SENATE	$393.00	$5.02	$398.02
SEVIER SCHOOL DISTRICT		$21,832.53	$21,832.53
SNOW COLLEGE	-$10,696.00	$14,001.93	$3,305.93
SOUTH SANPETE SCHOOL DISTRICT		$1,618.92	$1,618.92
SOUTH SUMMIT SCHOOL DISTRICT		$2,875.42	$2,875.42
SOUTHEASTERN EDUCATIONAL CENTER		$38.62	$38.62
SOUTHERN UTAH UNIVERSITY	$19,721.00	$16,542.73	$36,263.73
TAX COMMISSION	$899.00	-$8,045.24	-$7,146.24
TECHNOLOGY SERVICES - DTS	$22,425.00	-$2,136.31	$20,288.69
TEST ACCOUNT - HIGHER EDUCATION		$0.00	$0.00
TINTIC SCHOOL DISTRICT		$2,303.90	$2,303.90
TOOELE SCHOOL DISTRICT		-$27,454.93	-$27,454.93
Transportation (UDOT)	$108,000.00	$42,800.79	$150,800.79
TRANSPORTATION (UDOT) - AERONAUTICAL OPERATIONS		-$2,911.10	-$2,911.10
TRANSPORTATION (UDOT) - UNLICENSED EQUIPMENT		$35,092.48	$35,092.48
TREASURERS OFFICE	$334.00	$14.21	$348.21
TRUST LANDS	-$887.00	$1,390.64	$503.64
UCAN (Utah Communication Network)	$14.00		$14.00
UCAT-Bridgerland ATC	$3,078.00	-$8,187.80	-$5,109.80

UCAT-Davis ATC	$1,858.00	-$10,741.73	-$8,883.73
UCAT-Dixie	-$388.00	$3,427.19	$3,039.19
UCAT-Ogden/Weber	$2,605.00	$13,262.82	$15,867.82
UCAT-Southwest	$965.00	$2,255.61	$3,220.61
UINTAH SCHOOL DISTRICT		$3,461.40	$3,461.40
UNIVERSITY OF UTAH	$58,187.00	-$34,572.10	$23,614.90
USU EASTERN		$4,440.20	$4,440.20
UTAH COMMUNICATIONS AUTHORITY		$8,575.36	$8,575.36
Utah Science, Technology and Research Initiative (USTAR)	$483.00		$483.00
Utah State Board of Regents / Statewide	$4,392.00	$213.61	$4,605.61
UTAH STATE FAIRPARK	-$537.00	-$5,060.99	-$5,597.99
UTAH STATE UNIVERSITY	$88,231.00	-$56,903.77	$31,327.23
UTAH VALLEY UNIVERSITY	-$21,906.00	$96,479.91	$74,573.91
VETERANS AFFAIRS	$542.00	-$138.61	$403.39
WASATCH SCHOOL DISTRICT		$188.02	$188.02
WASHINGTON SCHOOL DISTRICT		$30,037.86	$30,037.86
WAYNE SCHOOL DISTRICT		$2,085.66	$2,085.66
WEBER SCHOOL DISTRICT		$19,554.27	$19,554.27
WEBER STATE UNIVERSITY	$40,143.00	$31,776.21	$71,919.21
WORKFORCE SERVICES DEPARTMENT	$43,011.00	-$6,025.55	$36,985.45
UCAT-Mountainland ATC	$1,038.00	$2,728.47	$3,766.47
UCAT-Tooele ATC	$442.00	-$8,757.57	-$8,315.57
UCAT-Uintah Basin ATC	$714.00	$17,987.36	$18,701.36
UCAT-Utah College of Applied Technology Administration		$1,508.70	$1,508.70
Grand Total	**$468,524.00**	**$1,030,985.37**	**$1,499,509.37**

E. Example Communication: Property Premium

Property Insurance Invoice 2017

Effective July 1, 2016 through June 30, 2017

May 05, 2016

JEREMY SNELL
TINTIC SCHOOL DISTRICT
55 E MAIN P O BOX 210
EUREKA UT 84628

Premium Due March 1, 2017

Total Premium Amount:	$31,849.85	Total Insured Value:	$21,872,634.02
Account Credits:	$0.00		
Net Premium:	**$31,849.82**		

Your organization was given credits of 0% out of a possible 15%. If you have any questions regarding the credits please contact your Risk Management Loss Control Specialist.

Your check should be made payable to State of Utah Risk Management and sent to:

State of Utah Risk Management
5120 State Office Building
Salt Lake City, UT 84114

If we do not receive your payment by March 1, 2017, your account may begin to accrue interest on the balance. If you have any questions about the premium please call our office at (801)538-9560.

Thank you,

Kamron Dalton
Division of Risk Management

Insured Assets

Bldg #	Asset Name	Type	Id	Value	Premium	Credits	Net Premium
3124	District Office	Building	A-00085452	$2,113,467.00	$963.34	$0.00	$963.34
3124	District Office	Contents	A-00092498	$157,451.90	$86.54	$0.00	$86.55
3125	West Desert High School	Building	A-00084984	$1,364,000.00	$3,933.81	$0.00	$3,933.81
3125	West Desert High School	Contents	A-00093391	$448,132.95	$2,048.49	$0.00	$2,048.48
3138	Tintic High Ind Arts Storage	Building	A-00085451	$788,018.00	$3,760.90	$0.00	$3,760.90
3138	Tintic High Ind Arts Stg	Contents	A-00093442	$472,414.44	$3,214.14	$0.00	$3,214.13
5052	Tintic High School (New) ✓Sprinklers ✓Alarms	Building	A-00085454	$8,556,408.00	$3,866.80	$0.00	$3,866.80
5052	Tintic High School (New)	Contents	A-00093863	$720,646.95	$397.66	$0.00	$397.67
5053	Callao School ✓Alarms	Building	A-00085350	$188,082.00	$616.74	$0.00	$616.74
5053	Callao School	Contents	A-00091897	$89,323.74	$464.25	$0.00	$464.25
5054	Bus Garage (New)	Building	A-00085449	$167,400.00	$1,366.98	$0.00	$1,366.98
5055	Bus Garage (Old)	Building	A-00085450	$301,700.00	$934.99	$0.00	$934.99
5055	Bus Garage (Old)	Contents	A-00090819	$31,488.77	$174.30	$0.00	$174.29
5056	Boiler Room	Building	A-00085447	$175,112.00	$175.06	$0.00	$175.06
8131	Eureka Elementary ✓Sprinklers ✓Alarms	Building	A-00085453	$3,969,000.00	$2,473.37	$0.00	$2,473.36
8131	Eureka Elementary (new)	Contents	A-00093677	$608,612.03	$599.30	$0.00	$599.30
8132	West Desert Elementary (old) ✓Alarms	Building	A-00084980	$108,160.00	$269.21	$0.00	$269.21
8132	West Desert Elementary (old)	Contents	A-00091191	$45,886.89	$181.02	$0.00	$181.02
8182	West Desert Modulars (2) ✓Alarms	Building	A-00084983	$466,560.00	$1,161.25	$0.00	$1,161.24
8182	West Desert Modulars (2)	Contents	A-00092192	$112,234.50	$442.76	$0.00	$442.76
8853	Tintic High Modular Classroom	Building	A-00085448	$178,560.00	$246.15	$0.00	$246.15
8853	Tintic High Modular Classroom	Contents	A-00089763	$13,586.85	$29.60	$0.00	$29.60
8854	Tintic School Dist Housing	Building	A-00085446	$400,000.00	$330.43	$0.00	$330.43
9222	West Desert Bus Shop	Building	A-00084982	$223,200.00	$3,821.07	$0.00	$3,821.07
9402	Teacher Housing (1 sgle &1 dble) ✓Flex	Building	A-00084981	$173,188.00	$291.69	$0.00	$291.69

F. Moreton Property Premium "Indication" for Utah Department of Natural Resources

MORETON
& COMPANY
TRUSTED SINCE 1910

May 25, 2016

Tani Pack Downing
Director
State of Utah, Division of Risk Management
5120 State Office Building
Salt Lake City, Utah 84114

Tani,

You had asked that Moreton & Company approach the insurance marketplace to bid the cost of property coverage for the Utah Department of Natural Resources list of 850 properties. We discussed the fact that it would not be possible to procure firm, bindable bids in the time limit provided, but that we, Moreton, would use our best judgment based on the criteria provided and our firm's experience to provide a ballpark indication of the property premium for the group.

The Department of Natural Resources list of properties includes many low value properties with the following characteristics:

- Approximately 20% are located in very rural areas with an increased susceptibility to fire
- 816 of the 850 are not sprinklered
- 44 of the 850 are listed with a Quality rating of "Poor"
- 57 of the 850 show no asset value at all (all are restrooms)

Methodology: We started with a competitive base rate of $0.12 and added rate to each property based on location, sprinklers, and construction quality. We then applied a group discount of 10% and ended up with an overall group rate of $0.25. When we multiply the total building values of $210,763,676 by $0.25 (then divide by 100), we estimate the total premium for the group to be in the range of $526,909 with a low deductible. If we take a higher deductible (i.e. above $1,000 - $5,000) the premium can come down.

Again, this is a ballpark estimate only and not a bindable figure with any particular insurance company. Please don't hesitate to let me know if you have any questions or concerns regarding.

Regards,

Jonathan Stutz
Senior Account Executive

An Assurex Global Partner
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G. Deloitte Liability Premium Allocation "White Paper"

Deloitte.

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May 9, 2013

Ms. Tani Downing
Director of Risk Management
State of Utah
Division of Risk Management
5120 State Office Building
Salt Lake City, Utah 84114

RE: State Entity Liability Premium Allocation Approach

Dear Ms. Downing:

Below is a brief description of the allocation methodology used by Deloitte Consulting LLP ("Deloitte Consulting") to estimate the liability premiums for entities within the State of Utah ("the State" or "State") each fiscal year.

Annually, Deloitte Consulting performs a complete actuarial analysis using 25+ years of historical data to determine a projection of liability claim costs (also referred to as premiums) to be incurred in the upcoming fiscal year. In this analysis, we perform the projection separately for four departmental groups: Higher Education, School Districts, Department of Transportation, and all Other State Agencies combined. Our most recent analysis is fully documented in a report entitled, *"Self-Insurance Liability Program Reserves and Projections as of June 30, 2012"* and is dated August 13, 2012. We note that any caveats and limitations listed in our August 13, 2012 report also apply to this letter.

For two of the four departmental groups, we allocate the departmental group premium projections down to a more granular State entity level. This letter provides a brief overview of this allocation process. We note that we do not perform a more granular allocation estimate for the Department of Transportation and School Districts. For Higher Education, we allocate the premiums down to the educational institution and for the combined Other State Agencies departmental group we allocate premiums down to the individual agency.

The primary goal of an allocation system is to distribute total program or departmental premiums to the appropriate entities in an equitable manner. A model should:

- Use readily available data (exposures and historical claim costs)
- Use exposures that correlate well with the expected claim costs
  - For "Higher Education" and "Other State Agencies" we use annual expenditures as the exposure base
- Be easy to understand and calculate
- Balance conflicting goals of stability and responsiveness

Essentially there are two basic approaches to allocating premium. The "exposure method" (stable) allocates premium to entity as a percentage of an entity's exposure to the overall departmental group's exposure. The exposure method is generally favored when an entity's exposure volume is small and losses infrequent and less predictable. The "experience method" (responsive) allocates premium to entity as a percentage of an entity's historical claim cost experience to the overall departmental group's claim cost experience. The experience

Member of
Deloitte Touche Tohmatsu

Ms. Tani Downing
May 9, 2013
Page 2 of 2

method is generally favored when exposure volume is substantial and loss frequency is significant and more predictable.

Most allocation systems use a compromise approach with some weighting between the exposure method and experience method. The "weight" or "credibility" applied to the experience method grows as exposure volume and predictability of claim costs of an entity grows.

The following outlines the steps used by Deloitte Consulting as of June 30, 2012 to allocate the premiums to entity for fiscal year 2013 (7/1/2013 – 6/30/2014):

Step 1: ***Estimate the premium based on the exposure method.*** This method allocates the departmental group premium to entity based on a projection of the exposure base for fiscal year 2013. For example, if an entity's appropriated funding of expenditures for fiscal year 2013 is 10% of the overall departmental group's appropriated funding of expenditures, then 10% of the departmental group's premium would be allocated to this entity for fiscal year 2013.

Step 2: ***Estimate the premium based on the experience method.*** This method allocates the premium based on each entity's own historical experience. In performing this method, we rely on five years of reported claim costs. For example, reported claim costs for fiscal year 2007 through 2011 were used to allocate the premiums for fiscal year 2013. In calculating the reported claim costs, we cap each claim at $250,000 to limit the impact of any one large incident in the allocation.

Step 3: ***Calculate the credibility weighted average premium of the results of Step (1) and Step (2).*** The weight applied to the experience method is based on the volume of each entity's exposure base. For example, the larger the entity (i.e. the greater the historical expenditures), the larger the weight that is applied to the experience method described in Step (2).

Step 4: ***Limit the year over year change in premium to +/- 20%.*** In order to increase stability in premiums from year to year, the State's Division of Risk Management has asked Deloitte Consulting to limit the year-over-year change in premium to +/-20%. To the extent the overall premium for the departmental group does not equal the summation of each entity's premium after this capping, the difference is allocated to the entities whose premiums have not been capped on a pro-rata basis.

Although the process discussed above does not provide all details of the calculations used to perform the allocations, we believe it provides you with sufficient information to understand the factors that play a role in a given entity's premium projection. If you have further questions or would like more details, please do not hesitate to contact us.

Sincerely,

Rod Morris

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H. Sample Risk Watch Newsletter

Risk Management
a division of the Department of Administrative Services

Risk Watch

... to insure and protect State assets, promote safety, and prevent losses through proactive, collaborative loss control and claims management ... - DRM Mission Statement

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Don't miss the PUBLIC SECTOR LAW & RISK SYMPOSIUM on Tuesday, January 5th, at the Karen Gail Miller Conference Center in Sandy, Utah. Click here to see the agenda. Click here to register.

State Risk Manager's Message

Tani Downing
Division Director

We've made a few changes here at Risk. Last January, Kamron Dalton joined us from Department of Technology Services as our Administrative Support Manager. He jumped into the world of premium billing without hesitation and is a wonderful addition to our team.

We also added two new team members, Camille Richins as an Office Specialist and Wes Escalante as an eLearning Developer and Analyst. This brings our staff total to 30. This relatively small staff takes on the challenge of managing over 2000 claims a year and endeavoring to reduce claims. This is a considerable task considering we insure over 6,000 buildings worth more than $26 billion, over 13,000 vehicles valued at $183 million, and over 120,000 employees (who are priceless, of course). See James Brown's article on how these people and assets fared last fiscal year.

One task that we undertake every year is a review of our insurance policy. We gather feedback from our insureds and take that into account when making any changes. Several significant issues have been brought to our attention and rather than make the changes this year, we plan on studying them this fiscal year, gathering more input and making a change next year. Specifically, we are looking at modifying language in our policy relating to student interns, coverage for commercial activities, requirements for construction equipment lease/rental, and some others. Again, these did not change this year, but we will continue to solicit feedback from you over the coming year.

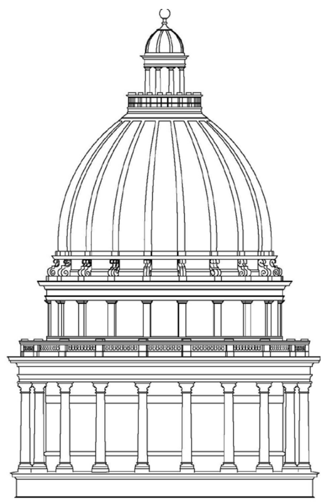
Some things did change this year. Our premium for charter school liability was reduced to $10 per student due to a favorable claims history. Due to an unfavorable claims history, our auto deductible has increased to $750. We will also start enforcing our deductibles more strictly. If two of your vehicles hit each other, a deductible will be assessed for both vehicles instead of just one as we had done in the past.

We hope you find the following information useful and informative. We enjoy the opportunity to work with you in reducing risk and protecting our collective assets. We appreciate the work you do!

REPORT TO THE

UTAH LEGISLATURE

Number ILR 2016-E



A Limited Review of the Division of Risk Management

August 2016

Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah

August 2016

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Limited Review of the Division of Risk Management** (Report #ILR 2016-E). The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

John M. Schaff, CIA
Auditor General

JMS/lm

REPORT TO THE
UTAH LEGISLATURE

Report No. ILR 2016-E

A Limited Review of the Division of Risk Management

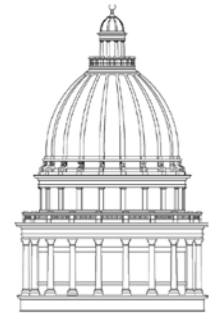
August 2016

Audit Performed By:

Audit Manager	Darin R. Underwood
Audit Supervisor	Deanna Herring

Office of
LEGISLATIVE AUDITOR GENERAL
State of Utah

Report Number ILR 2016-E
August 2016



A Limited Review of the Division of Risk Management

The Legislative Audit Subcommittee requested our office to conduct a risk assessment of the Division of Risk Management (DRM). Although we do not recommend additional audit work, we do offer four recommendations in response to the activities we reviewed in DRM's Loss Control Program area. We also reviewed DRM's claims process and found that it appears to be effective in managing claims. Finally, an overall shortfall between $1.1 and $1.5 million in the Risk Management portion of Internal Service Fund (ISF) funding for fiscal year 2017 may require a supplemental appropriation.

Our limited review does not recommend additional audit work but offers recommendations that we believe can improve the division's operations.

The DRM is housed in the Department of Administrative Services (DAS). According to the 2015 DAS annual report, the mission of the DRM is to protect state assets, promote safety, and control against property, liability, and auto losses. DRM insures property and provides liability coverage for state agencies, higher education, school districts, and charter schools and their employees. DRM insures over 200 public organizations, including all state agencies, institutions of higher education, and voluntarily, all school districts and 61 charter schools. ***Utah Code*** 63A-4-201 establishes the intent of the Risk Fund, which is to cover property, liability, fidelity, and other risks.

The Division of Risk Management insures property and provides liability coverage for all state agencies, higher education, school districts, and most charter schools.

Additional Policies Could Improve Two Loss Control Programs

DRM's Loss Control provides preventative maintenance programs to help insureds reduce the likelihood of an accident or claim.

We reviewed two of DRM's Loss Control inspection programs and found that both the formal inspection and self-inspection survey could benefit from additional policies to ensure they are implemented as needed for all insured properties.

Loss Control services are risk management techniques with an aim to reduce the possibility or severity of a loss. These preventative programs are intended to reduce the likelihood of an accident resulting in a claim to the Risk Fund.

Policies Needed for Formal Inspections

We believe that DRM could benefit by having a policy establishing a formal inspection schedule to ensure that all properties are inspected as needed. Additional policies could also provide structure to ensure that inspections and other loss prevention activities (such as consultations and trainings) are consistently recorded in DRM's case management system for useful measurement and analytical purposes.

Formal inspections are those that are initiated by DRM where the division's inspectors visit a facility site to examine insured property. During our review, we attended three inspections and found them to be conducted with consistency by three different inspectors. At that time, one of the inspectors was using a different inspection tool but has since moved to the same program as the other two inspectors. Now all the inspectors use the same inspection tool.

We found that, over the last three years, some insureds have received many formal inspections by DRM inspectors while others have received none.

However, DRM's inspection records for the last three years show that some properties have been inspected many times while others have not been inspected at all. The records do not list the information by location, only by insured account. Some insureds have more property (more locations) to inspect than others; therefore, some insureds may receive more inspections than others. From the data, we are unable to determine if one insured receiving over 150 inspections in three years is justified compared to another insured receiving no inspections over the same period of time.

Our review found that the average number of inspections an insured received over the three-year period was 14. Thirty-eight agencies received more inspections than average, 109 received fewer, and 73 received no formal inspections. Because of the potential risks associated with certain agencies receiving no formal inspections, we recommend that formal policies be established creating an inspection schedule to ensure that all insureds are receiving inspections as needed on a consistent basis.

DRM should establish formal policies which include an inspection schedule to ensure all insureds receive inspections as needed.

DRM's loss prevention team performs many functions, including inspection and follow-up inspections, consultations, and trainings. These services provide value to both the insureds and the Risk Fund because they are intended to prevent loss and reduce hazards. We examined the number of these activities conducted for a three-year period.

Because DRM does not apply a weighting to loss control activities, we were unable to measure the value of a consultation versus an inspection or training given to an insured. Therefore, we were unable to determine if an insured receiving several consultations but no inspections was an adequate exchange. DRM could benefit from reviewing loss prevention activities to determine how a combination of activities equates to providing all insureds with necessary preventative guidance.

Finally, we found that activities logged into DRM's system may not be recorded consistently or accurately among inspectors. One inspector may group an inspection of a site with multiple locations (buildings) under one case number while another may divide the inspection into more than one case number. Also, inspectors may not be logging all of their activities, which compromises DRM's ability to get useful metrics from their loss prevention program. We believe that DRM could benefit from establishing formal documentation policies to ensure that all loss control activities are recorded consistently to create more reliable metrics.

Establishing formal documentation policies will help DRM to ensure that loss control inspection metrics are reliable.

Policies Needed for Self-Inspections Surveys

Administrative Rule R37-1-8 requires each of DRM's insureds to complete a self-inspection survey (SIS) by June 1 each year, unless the risk manager has granted a special exemption.[1] We found that the

[1] DRM does not require the insured to conduct a SIS on every piece of property. The SIS is required of buildings $50,000 and over in value or where numerous people are present or have access.

special exemptions have not been documented in policy, nor has DRM kept formal records of why insureds have been granted exemptions for not completing the SIS.

The Self-Inspection Survey (SIS) helps insureds to eliminate hazards and reduce risk on their own.

The entire survey, which is online, consists of almost 2,000 questions, divided into 13 sets on different topics. However, the survey is tailored to each insured's needs and none are required to complete the entire survey.

For example, state agencies are only required to complete the occupational, environmental, and security areas, which consist of 46 questions. The DRM website explains that, "The survey is a tool for recognizing and eliminating hazards that can significantly affect the public, our co-workers, the property we are charged to preserve, and the Risk Fund. The timely submission of the online survey will qualify entities to a premium credit."

When an insured completes a SIS, the entity receives a 10 percent reduction in the DRM insurance premium. If the insured does not complete the SIS, it is charged a full premium for the following policy year. Therefore, when an insured does not complete a SIS, there are two results. First, unless the property to be self-inspected receives a formal inspection during the year by DRM, possible hazards may not be abated. Second, the insured must now pay the full premium the following fiscal year and does not benefit from the 10 percent reduction.

Completing the SIS will earn the insured a 10 percent reduction on its insurance premium, yet some are not completing it.

DRM reports that in fiscal year 2015, 32 insureds did not complete a SIS but some of them received the premium discount under management discretion as though they had. Reasons for not completing the SIS include:

- The insured did not have an assigned facility or risk coordinator for the entire year
- Since DRM's case management system does not communicate with the SIS program, some pieces of property were actually maintained by the Division of Facilities Construction and Management instead of the insureds
- According to DRM, some insureds may have not completed the SIS because they did not believe it was cost-effective

(reasoning that conducting the SIS costs more in labor than they would receive in a discount)

- They simply chose not to complete the SIS.

However, neither the exemptions nor the process to receive an exemption has been established in policy.

We believe that, unless a documented, approved exemption has been granted, each insured should annually complete the SIS, both to mitigate potential hazards and to ensure their publically funded budgets are being managed prudently and benefitting from the 10 percent premium reduction. We recommend that DRM establish a policy that outlines when a SIS exemption is allowed. We also recommend that DRM document insureds' approved exemptions from completing the annual SIS to ensure there is a valid, approved reason for lack of completion.

Policies should provide a process for approving and documenting exemptions to completing the SIS.

DRM's Claims Program Appears Effective

We reviewed 11 claims and found them to be well managed for the risk areas we examined. The cases were well documented, including pictures, police reports, hospital bills, subrogation reviews, insurance documentation, and other necessary documentation. The adjusters' notes were adequate for detailing the events and how the claim was managed, including vehicle valuations and auction records for totaled vehicles. Therefore, our review of DRM's claims processing does not support further auditing.

Utah Code 63A-4-102 authorizes DRM to adjust, settle, and pay claims. According to its 2015 annual report, DRM opened 2,565 and closed 2,700 auto, liability, and property claims during the year. DRM also managed 812 Worker's Compensation Fund claims in 2015 but those were not included in this limited review.

Measuring the amount of time from opening to closing a claim may not be a reliable indicator of claim processing efficiency. Many factors affect this measurement, including the statute of limitations and the age of the parties involved at the time of the incident. For example, when the claimant is a minor child, the claim may remain open until one year after the child's 18th birthday. However, we found that, over the last five fiscal years, 93 percent of DRM's claims have closed within one year, 70 percent of them closing within the first three months. We believe this appears to indicate efficiencies on DRM's part.

Our review of claims in the risk areas we examined support a private consultant's review of DRM claims, finding them to be well managed and effective.

We also reviewed a consultant's audit of DRM's liability and property claims for 2015. In the audit report, the consultant states that DRM's overall performance level of 98 percent exceeds the industry standard of 95 percent for superior performance, with no individual score below 97 percent. In the audit, the consultant reviewed DRM's performance in multiple claims areas, including case reserves, payment reconciliation, allocated expenses, file documentation, subrogation, accuracy and timeliness, and many more.

Shortfall in ISF Funding for Fiscal Year 2017 May Require a Supplemental Appropriation

DRM and the Legislative Fiscal Analyst report that, during the 2016 General Legislative Session, some Internal Service Fund (ISF) impacts (positive or negative changes in ISF costs) were not funded for fiscal year 2017. Although some impacts were not funded, the State Agency Fees and Internal Service Fund Rate Authorization and Appropriations bill (House Bill or H.B. 8) authorized DRM to charge its insureds a premium rate that includes all impacts.

If Internal Service Fund impacts (positive or negative) are not funded, agencies receive the same amount of ISF funding as the previous year, regardless of changes in their ISF obligations.

In general, when ISF impacts are not funded, the next year's appropriated amounts for ISF expenditures will be the same as the current year's. Therefore, regardless of the premium due to DRM, insureds will receive the same amount of ISF funding as in the prior year. The net result is twofold: when the premium goes up for some in fiscal year 2017, the insured's budget will be short on ISF funds by the amount of the increase. And for others, the premium will go down and the insured will have funds remaining in its budget.

Although there is an overall shortfall, some insureds will have excess ISF funds in their budgets because of lower DRM premium bills.

Because of time constraints, we were unable to verify the exact amount of the ISF shortfall of insurance premiums, but estimate that it will exceed $2 million. However, if the Legislature does provide a supplemental appropriation to cover the shortfall, and also readjusts the budgets of those insureds with excess funds in their budgets (because of a premium reduction), we estimate the amount that will be needed to cover the overall (net) shortfall will be between $1.1 and $1.5 million.

About 23 percent of DRM's insureds' premiums went down for fiscal year 2017. Therefore, these insureds will have excess funds in their budgets. The excess funds cover a wide range, including one insured that will have over $88,000 excess in its budget and another that will have about $18 excess in its budget. The majority of insureds' budgets will be short because their insurance premiums will increase in fiscal year 2017. These include an insured with a shortfall of over $188,000 a contrasted with another insured that will essentially break even.

Utah Code 63A-4-101 requires the risk manager to "manage the [Risk] fund in accordance with economically and actuarially sound principles to produce adequate reserves… ." In determining the annual insurance premiums, ***Utah Code*** 63A-4-202 authorizes DRM to charge each insured its proportionate share of the cost incurred, based upon actuarially sound rating techniques and including all costs of operating the fund.

***Utah Code* requires the Risk Fund to be actuarially sound with adequate reserves.**

For liability insurance, DRM's actuary (Deloitte Consulting LLP) annually assesses DRM's losses and claims to determine DRM's liability for premiums and the reserves needed to remain actuarially sound. For property premiums, DRM utilizes a property valuation book that is updated annually by Marshall & Swift (a national provider of building cost data) to value insureds' properties and set premium rates.

DRM is fully funded from dedicated credits through the ISF. Therefore, this shortfall will be directly felt by the insureds because their budgets will be affected by the impacts not funded in H.B. 8. According to the Division of Finance, the shortfall cannot be paid from the Risk Fund. Because some of the fund's customers (which are DRM's insureds) have programs that are partially federally funded, those customers pass some of their costs on to the federal government.

The ISF shortfall cannot be paid by the Risk Fund or it will risk the federal funding received by some of DRM's insureds.

Because the Risk Fund's customers include those that receive federal funding, federal law requires the same funding calculation be used for each customer. If the Risk Fund were to be used to correct the shortfall for only those customers that did not receive adequate ISF funding to cover their DRM premium costs, the allocation of those funds would, in essence, be recalculating the formula for allocating the funds to customers. This means that, if those customers with a budget deficit are made whole using the Risk Fund, they will be treated differently from those that did not receive assistance from the Risk Fund.

Therefore, using the Risk Fund to pay the shortfall would then be an inequitable allocation of the funds between the insureds. Those that were not appropriated enough ISF funds to cover their insurance premiums would benefit over those that did not have a shortfall. According to the Division of Finance, the practice of treating the customers unequally is prohibited by federal law.

There are two options to remedy the shortfall: 1) insureds pay from their existing budgets, or a 2) Legislative supplemental appropriation.

Two options available to remedy this shortfall include the following:

- The insureds with a shortfall could pay the premiums in full, requiring them to make up the difference between what was appropriated for the ISF and other revenues from their budgets; however, this may put a strain on those insureds' budgets for which they have not prepared

- The Legislature could authorize a supplemental appropriation to cover:

  A) Either the overall shortfall of between $1.1 and $1.5 million, and at the same time, readjust the budgets of those insureds that will have excess funds in their budgets because of a lower insurance premium than last year, or

  B) Cover the total shortfall of over $2 million without readjusting the budgets of those insureds that will have excess funds due to their insurance premium being lower than last year's premium.

Looking forward, the premium rates calculated for fiscal year 2018 will include the impacts not funded in fiscal year 2017, assuming that property and liability valuations remain constant or increase. If, overall, the premiums increase, the shortfall could be even larger next year. If the Legislature chooses not to fund the ISF impacts (as related to DRM insurance premiums) in full for fiscal year 2018, insurance premiums could face a shortfall next year as well. We cannot estimate the impact because insureds' premiums change from year to year.

For the Risk Fund to be actuarially sound as required by law, the insurance premiums must be paid in full as determined by DRM's actuary and property valuation calculations. According to DRM, in order to continue providing services to insureds and meet broker and insurance obligations, full funding will need to be determined by July 1, 2016, regardless of whether the premiums are paid fully by the insureds or through a legislative supplemental appropriation.

Recommendations

1. We recommend that DRM establish formal policies creating an inspection schedule to ensure that all insureds are receiving inspections as needed on a consistent basis.

2. We recommend that DRM review all loss prevention activities to determine what combination of activities equates to providing all insureds with necessary preventative guidance.

3. We recommend that DRM establish formal documentation practices to ensure that all loss control activities are recorded consistently to create more reliable metrics.

4. We recommend that DRM establish policy that outlines when a self-inspection survey exemption is allowed and document when insureds have received this approval.

5. We recommend that the Legislature consider the two options for satisfying the insureds' fiscal year 2017 DRM insurance premiums obligations and decide if Legislative action is needed. Two options available to remedy this shortfall include the following:

   - The insureds with a shortfall could pay the premiums in full, requiring them to make up the difference between what was appropriated for the ISF and other revenues from their budgets; however, this may put a strain on insureds' budgets for which they have not prepared

   - The Legislature could authorize a supplemental appropriation to cover:

     A) Either the overall shortfall of between $1.1 and $1.5 million, and at the same time, readjust the budgets of those insureds that will have excess funds in their budgets because of a lower insurance premium than last year, or

     B) Cover the total shortfall of over $2 million without readjusting the budgets of those insureds that will have excess funds due to their insurance premium being lower than last year's premium.

Agency Response

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State of Utah

GARY R. HERBERT
Governor

SPENCER J. COX
Lieutenant Governor

Department of Administrative Services

KIMBERLY K. HOOD
Executive Director

Division of Risk Management

TANI PACK DOWNING
Director

May 26, 2016

John M. Schaff, CIA
Auditor General
W315 Utah State Capitol Complex
Salt Lake City, UT 84114-5315

RE: Report Number ILR 2016-E
Audit of the Division of Risk Management

Dear Auditor General Schaff:

Thank you for the opportunity to respond to the Legislative Audit of the Division of Risk Management. Below you will find our responses to the recommendations.

1. **We recommend that DRM establish formal policies creating an inspection schedule to ensure that all insureds are receiving inspections as needed on a consistent basis.**

   DRM agrees in part but lacks FTEs to increase the frequency of inspections. If the Legislature would like more frequent inspections on a regular basis, DRM would need additional FTEs. However, the current inspection schedule takes into account that some locations require more frequent inspections than others based on their risks rather than a set schedule where, with our current number of FTEs, we may not be able to visit a location for 3+ years. State Risk welcomes further guidance from the Legislature as to how frequently it would like inspections scheduled on a regular basis.

   DRM has three FTE's performing inspections of approximately 6,143 unique "buildings," covering nearly 138,000,000 square feet, valued at over $26,000,000,000. The State Risk Fund insures four unique groups (higher education, state agencies, school districts, and charter schools), each of which presents different inspection needs and complexities. In some cases there may be multiple buildings at one location, i.e. a high school may have one or more classroom buildings; a separate building for the auto shop

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and/or wood shop; a separate location for music arts; a shed used for storage; and another building used for various types of art instruction. (See Table 1.)

DRM's three FTEs have other duties in addition to inspections that are equally important in helping our insureds avoid liability. Among these three FTEs, the historical ratio of inspections to other expected and necessary duties (consultations, training, client meetings, and administrative assignments) is 75/25. Applying this ratio to our 3,148 individually-inspectable locations means our three FTEs can only realistically inspect up to 712 buildings a year (or 237 per FTE), meaning that each building would only receive an inspection once every 4.4 years.

With each FTE performing an average of 237 inspections per year, this is a significant number given that there are only 250 possible working days available per year. In comparison to other site-inspection-oriented organizations, it appears that DRM has performed remarkably well. The Utah Division of Occupational Safety and Health (UOSH) and the United States Occupational Safety & Health Administration (OSHA) generally expect their compliance officers and safety consultants to manage a caseload of approximately 40 cases/inspections annually.[1] While this comparison illustrates the quality and efficiency of the work DRM's life-safety consultants perform each year, we recognize there is always room for improvement.

One effort DRM has recently undertaken is to expand an existing contract with the Utah School Boards Association (USBA). USBA will begin performing regular inspections for the elementary schools for all 41 districts. DRM will still perform inspections in the middle schools and high schools because they present a greater likelihood of substantial claims due to their higher student, faculty, and staff counts and their more inherently dangerous activities.[2]

Table 2 illustrates the number of FTEs Risk would need to have in order to meet a specified annual review schedule. This is based on an annual number of inspections placed at 225 for the average employee working at .75 FTE.

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[1] To be clear, this is a primary function for these entities whose inspections are performed for the purpose of compliance and potential citation. Their inspection reports are often used in administrative and legal enforcement proceedings. DRM's inspections and reports are intended to be used as instructional tools for our insureds, and our internal expectation is that we perform a minimum of 100 inspections per year. At the UOSH/OSHA rate, DRM would not be able complete its facility inspection cycle for over 25 years.

[2] See the Utah State Office of Education site on the CTE Skilled and Technical Sciences site for the types of programs offered: http://schools.utah.gov/cte/sts.

DRM's current plan is to schedule inspections for all schools (K-12, and higher education) on a two-year rotation and for low-risk state agency buildings on a three-year rotation. If the Legislature desires a more frequent rotation scheduled, DRM will need to request additional FTEs.

Table 1

Insured Group	Square Footage	Values	Number of Inspectable Buildings/Locations	USBA Assistance	Net
School Districts	87,796,339	$ 15,726,615,963	1138	596	542
Higher Education	32,018,411	$ 7,049,507,366	841	0	841
Charter Schools	2,263,512	$ 431,045,696	79	0	79
State Agencies	15,699,833	$ 3,419,936,924	1686	0	1686
Total	137,778,095	$ 26,627,105,949	3744	596	3148

Table 2

Cycle	Annual Inspections	Employees at .75 FTE	Employees at 1.0 FTE
1 year	3148	14	10.5
2 year	1574	7	5
3 year	1049	5	3.5
4 year	787	3.5	3

2. **We recommend that DRM review all loss prevention activities to determine what combination of activities equates to providing all insureds with necessary guidance.**

   While DRM agrees in theory with this recommendation, the nature of DRM's work makes it very difficult to determine what is effective and necessary guidance. On its recent customer survey, DRM's customers rated DRM a 4.43 out of 5. This seems to suggest DRM's customers believe it is effectively and timely responding to their requests for assistance on all their differing types of issues. Additionally, DRM will research whether any best practices exist to help us determine how many other loss-prevention activities equal an inspection. We are currently unaware of any. However, DRM welcomes any specific guidance on ways to improve its services.

3. **We recommend that DRM establish formal documentation practices to ensure that all loss control activities are recorded consistently to create more reliable metrics.**

   DRM agrees with this recommendation and has already begun efforts to standardize documentation of loss control activities and include requirements to comply in each employee's performance evaluation. Additionally, DRM will establish a policy as to whether multiple buildings on one property are considered one inspection or multiple inspections so that employees' efforts can be more accurately compared.

4. **We recommend that DRM establish a policy that outlines when a self-inspection survey exemption is allowed and document when insureds have received this approval.**

   DRM agrees with this recommendation. While these expectations have been frequently communicated to our insureds in trainings, periodicals and emails, DRM will establish self-inspection survey expectations, consequences, and appropriate surcharge exemptions in a formal written procedure to ensure consistency can be shown.

5. **We recommend that the Legislature consider the two options for satisfying the insureds' fiscal year 2017 DRM insurance premiums obligations and decide if Legislative action is needed. Two options available to remedy this shortfall include the following:**
   - **The insureds could pay the premiums in full, requiring them to make up the difference between what was appropriated through the ISF and other revenues from their budgets; however, this may put a strain on insureds' budget for which they have not prepared**
   - **The Legislature could authorize a supplemental appropriation to cover:**
     - **A) Either the shortfall of between $1.1 an $1.5 million, and at the same time, readjust the budgets of those insureds that will have excess funds in their budgets because of a lower insurance premium than last year, or**
     - **B) Cover the total shortfall of over $2 million without adjusting the budgets of those insureds that will have excess funds due to their insurance premium being lower than last year's premium.**

   DRM agrees with this recommendation.

Sincerely,

Tani P Downing

Tani Pack Downing
State Risk Manager