
FISCAL UPDATE Article

Fiscal Services Division

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CUSTOMER COUNCIL MEETING — JULY 31, 2018

Meeting. The Customer Council meeting was held on Tuesday, July 31, 2018. The Council provides a link between the Department of Administrative Services (DAS) and the customers it serves. Employees from customer agencies serve on the Council and represent small-, medium-, and large-sized agencies. The Customer Council oversees utility services and associated rates as provided by the four DAS enterprises: General Services, Human Resources, Procurement and Fleet, and State Accounting. The following actions were proposed and adopted by the Council:

Action Taken on the Previously Approved FY 2019 and FY 2020 Rates:

- Decrease the FY 2019 Unemployment rate under the Human Resources Enterprise (HRE) from \$0.95 per headcount per year to \$0.51 per headcount per year. These rates are reviewed annually and based on a third-party contract. The winning bid for the FY 2019 contract came in at a lower level, and the rates are being adjusted accordingly.
- Increase the FY 2019 Flexible Spending rate under the HRE from \$36 per participant to \$38 per participant. These rates are reviewed annually and based on a third-party contract. The winning bid for the FY 2019 contract came in at a higher level, and the rates are being adjusted accordingly.
- Increase the FY 2019 Risk Management (Vehicle Self Insurance) rate under the Central Procurement and Fleet Services Enterprise (CPFSE) from \$284.76 per vehicle to \$346.91 per vehicle. These rates are reviewed annually and based on fleet size and claims experience.
- Increase the FY 2020 Architectural and Engineering Services rate under the General Services Enterprise (GRE) from \$85 per hour to \$90 per hour. These rates are compared to current market rates in the private sector and billed directly against the associated project.

Action Taken on the Proposed Rate Changes for FY 2021:

With the exception of the rate listed below, all rates under the various DAS enterprises remain status quo when compared to FY 2020.

- Increase the FY 2021 Architectural and Engineering Services under the General Services Enterprise (GRE) from \$90 per hour to \$95 per hour. These rates are compared to current market rates in the private sector and billed directly against the associated project.

Action Taken on the Proposed Methodology Adjustment in Determining Worker's Compensation:

State agencies are assessed a premium for participation in the Worker's Compensation Program on an annual basis. Under current methodology, an agency's exposure per individual claim is capped at \$200,000 in order to ensure that a single, extraordinarily high-cost claim does not disproportionately impact an agency's premium cost. Under current methodology, premium costs are based on an agency's prorated percentage of statewide agency claim experiences for the previous five fiscal years, and include the following components:

- DAS-HRE administrative costs.
- Claim management costs from the third-party administrator, Sedgwick.
- Representation and consultation costs from the Iowa Attorney General's Office.
- Estimated statewide annual claim costs.

Additionally, the current methodology also applies a credibility factor when calculating agency cost participation. This actuarial tool is utilized to calculate if the loss experience sustained by an agency

provides a reasonable basis to predict future claims. The State's credibility factor, as developed and reviewed by the third-party firm Deloitte, is built into the current cost allocation to determine agency premium cost.

At the July 31 meeting, the Customer Council voted to adjust the current Worker's Compensation Program methodology by eliminating the credibility factor and the individual agency cap of \$200,000 per claim. The new methodology allocated DAS-HRE administrative costs and Sedgwick claim management costs to all participating agencies based on a five-quarter average, to be shared by all agencies regardless of claim experience. Additionally, representation and consultation costs from the Iowa Attorney General's Office and projected claim costs will now be based on a five-year claim experience. Fiscal year 2020 worker's compensation rates will be based on fiscal years 2014 through 2018. The intent of these changes is to more directly align Program expenses with respective cost drivers and reflect agency allocations of Program costs in a more timely manner.

Additional Information. The [2018 Iowa DAS Business Plan and Report to the Customer Council](#) provides brief descriptions of all DAS utility services and methodologies that were reviewed and approved by the Customer Council. Additional information is also available on the DAS website: das.iowa.gov/das-core/das-customer-council.

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