



BUTTE LOCAL AGENCY FORMATION COMMISSION

1453 Downer Street, Suite C • Oroville, California 95965-4950
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MEMORANDUM

TO: Butte Local Agency Formation Commission

FROM: Stephen Lucas, Executive Officer

SUBJECT: **Agenda Item 4.3 - Update on Replacing County Payroll Services with a Contract with a Private Vendor**

DATE: August 28, 2023 for the meeting of September 7, 2023

Background

As previously reported, the County Board of Supervisors (BOS) and the Butte Local Agency Formation Commission (LAFCo) first entered into the Contractual Services Agreement (CSA) in 2001, which was then jointly amended in 2008 (LAFCo independence) and again in 2013 for cost adjustment (Attachment 1). This is a contract entered into by the BOS and LAFCo under the "Equal Dignities Rule", meaning any amendments aside from annual cost escalators, require the express delegation of the BOS and/or the Commission authority to staff.

Purpose

The CSA purpose was to maintain LAFCo's full integration with affected County departments as LAFCo migrated towards independence from the County in 2007. This was memorialized in the CSA which established the unique relationship between the County and LAFCo (a former County department) and directed the County to treat LAFCo "in the same manner as provided county departments." To this end, LAFCo and county staff have maintained a good and effective working relationship which is essential as LAFCo actions require the regular participation of many departments (Auditor, Assessor, Planning, Public Works, Environmental Health, Clerk-Recorder, Elections among others). Some of these departments have no charges for LAFCo coordination and some charge an annual cost allocation to cover those services. Respective staff were able to adjust these amounts annually at the administrative level, but any substantive changes to the CSA, such as removing a service entirely, does require consent of both parties (BOS/Commission). Such amendments are proposed to reflect the changes discussed below and will be presented to the Commission for review in conjunction with the BOS.

Payroll Services

In December 2021, County Administrative staff, without the review or consent of the BOS, informed Staff that it will unilaterally terminate human resources/payroll services from our Contractual Services Agreement (CSA) that was approved. The County had shifted to a new organizational platform called Workday, which resulted in issues with LAFCo and BCAG contracted payroll services. The County Human Resources Department had initially proposed a very substantial increase (\$13,000 to \$52,000) in their costs for payroll services and subsequently, determined it was most efficient to remove payroll services altogether in favor of a private vendor. Staff worked with County Administration/Human Resources to propose amendments to the Contractual Service Agreement No. 3 by transitioning payroll services from County HR to another provider. This is not an easy transition for our small (3) staff as we must

juggle staff duties to manage this transition, which will cost additional staff time/resources. County HR cooperatively agreed to manage the transition's technical aspects and we collectively agreed to follow BCAG's choice to contract with Paylocity for payroll services. What this means at a practical level, is that LAFCo staff will now independently enter all payroll related data into the new Paylocity system and will also be responsible for entries into the California Public Retirement System (CalPERS). This will take some time for Staff to perfect, but we are confident it will become routine and result in a more independent LAFCo administration.

Cost

The big selling point for the payroll transition is the substantial reduction in direct contracted costs. The Paylocity contract (Attachment 2) is for four (4) employees at a total annual cost of \$2,576.40. The indirect costs (employee time) are hard to calculate at this initial training intensive phase, but will eventually become routine and far less time intensive. County HR has agreed to walk Staff through the transition process to ensure no payroll issues arise. While the long-term HR/payroll services provided a sense of security and will be missed, the cost savings over time to LAFCo are substantial.

ACTION REQUESTED: Accept as information, no action required.

Attachments: 1. Contractual Services Agreement – No. 3
2. Paylocity Contract Summary

COUNTY OF BUTTE

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~~CONTRACT NO.~~ CONTRACTUAL SERVICES AGREEMENT No. 3

Between the
Butte Local Agency Formation Commission and the County of Butte

**ARTICLE 1
TERM**

Section 1.1 Term of Agreement

This Agreement shall be effective on July 1, 2013, and continue until amended or terminated. Either party may amend or terminate the Agreement upon not less than 180 days written notice to the other.

**ARTICLE 2
SUPPORT SERVICES PROVIDED BY THE COUNTY**

The County agrees to provide the following support services to LAFCo during the term of this Agreement. In providing these contractual services for LAFCo, the County will follow all appropriate governmental standards and procedures. The departments identified in this agreement will provide professional services to LAFCo on an "as needed" basis and in the same manner as provided to County departments

Section 2.1 Statutory Support Services

The following support services are recognized under this Agreement to be statutory in nature and would be provided by the County without the necessity for a special agreement.

(a) The County shall provide electronic access to property information and property owner information from the assessment rolls as needed for LAFCo responsibilities as identified in the Cortese-Knox-Hertzberg Act of 2000.

(b) The County Auditor/Controller shall collect funds due to LAFCo from the County, cities and special districts as authorized by Government Code Section 56381(c) and hold funds and issue warrants on behalf of LAFCo and provide timely financial reporting to LAFCo of account transactions and balances.

Section 2.2 Cooperative Support Services

(a) LAFCo shall have the right to use the County Board Room and other meeting rooms for LAFCo functions, subject to availability.

(b) LAFCo shall have reasonable access to County files and development information as necessary for LAFCo functions.

(c) County shall provide electronic access to registered voter information as provided for under the Cortese-Knox-Hertzberg Act of 2000.

(d) The County and LAFCo agree that there is mutual information sharing value to both agencies for the County to continue to provide a reasonable workspace within the County's GIS Division for use by the LAFCo GIS consultant or employee with the understanding that LAFCo GIS consultant or employee shall adhere to any rules, policies or regulations of the Division and that LAFCo is wholly responsible for the provision of necessary computer hardware for said consultant or employee.

Section 2.3 Compensated Support Services

(a) The County, providing services in accordance with Exhibit A of this Agreement, shall be appropriately compensated by LAFCo.

Section 2.4 Payment for Compensated Support Services

- (a) Costs for services provided by County departments will be invoiced to LAFCo regularly
- (b) The LAFCo Executive Officer and County Administrative Officer (or designee) shall meet as necessary and confer on costs of County services and establish an estimated cost of services, which will be allocated in the LAFCo (see Exhibit A). If the County wishes to update the estimated cost of services, it shall notify LAFCo prior to March 1, so the new cost can be incorporated into the LAFCo budget on a timely basis.
- (c) Services provided in exchange for fixed annual payments will be invoiced on a quarterly basis. So long as the County continues to generate payments on behalf of LAFCo, invoices will be settled via direct journal entry against the LAFCo budget unit maintained in the County Financial System.

**ARTICLE 3
GENERAL PROVISIONS**

Section 3.1 Construction. The parties understand and agree that, unless expressly stated herein, nothing in this Agreement is intended to conflict with or modify the parties' duties and obligations under the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The parties further understand and agree that except as expressly agreed herein, nothing is intended to bind the legislative discretion of either agency.

Section 3.2 Severability. Any provisions of this agreement which are proved to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof, and such remaining provisions shall remain in full force and effect.

Section 3.3 Notices. Any and all notices or other communications required or permitted by this agreement or by law to be served on or given to either party by the other party to this agreement shall be in writing and shall be deemed duly served when personally delivered to the officer designated below, or, in lieu of such personal service, when deposited in the United States mail, first-class postage prepaid and addressed to the designated party and address listed below each party's signature.

Section 3.4 Modifications. Any modification of this agreement will be effective only if it is in writing and signed by the party to be charged.

Section 3.5 Effect of Waiver. The failure of either party to insist on strict compliance with any of the terms, covenants, or conditions of this agreement by the other party shall not be deemed a waiver of that term, covenant, or condition, nor shall any waiver or relinquishment of any right or power at any one time or times be deemed a waiver or relinquishment of that right or power for all or any other times.

Section 3.7 Entire Agreement. This instrument contains the entire agreement between the parties. Any oral representations or modifications concerning this instrument shall be of no force and effect excepting a subsequent modification in writing signed by the parties.

DATED: March 26, 2013

THE COUNTY OF BUTTE

Bill Connelly 26 Mar 2013
Bill Connelly, Chair, Board of Supervisors

Designated Officer for Service of Notice:

Chief Administrative Officer
Butte County Administration Bldg
25 County Center Dr., Suite 200
Oroville, CA 95965

Address for Service of Notice:

DATED: February 7, 2013

BUTTE LAFCO

Carl Levereenz
Carl Levereenz, Chairman

Designated Officer for Service of Notice:

Executive Officer
Butte LAFCo
1453 Downer St., Ste C
Oroville, CA 95965-4950

Address for Service of Notice:

Approved for fiscal control, subject
to budget appropriation
Auditor's Office

By Rebecca J. Jittag 3/13/13

APPROVED AS TO FORM
Butte County Counsel

By Bruce L. Albert

Exhibit A – LAFCO Services

Services to be provided by the County of Butte pursuant to Section 2.3 of the Contractual Services Agreement No. 3, which will be provided by various County departments as shown below:

Services

1. Information Systems \$1,670/employee/Year
 - a. Includes the following services:
 - i. Internet Access
 - ii. Email exchange and single email address (buttecounty.net domain)
 - iii. Intranet
 - iv. Maintenance
 - v. Server Backup
 - vi. Butte County Financial System (currently Pentamation) query access
 - vii. Training Programs (desktop, software)
 - viii. GIS data support

2. Communications/Phone Services \$27/unit/year
 - a. Costs include maintenance, support, and assistance by County Communications staff.
 - b. Currently 1 circuit and 5 phone lines.
 - c. Actual Usage and Telco monthly charges paid against LAFCO budget unit by the Auditor's office.

3. Accounting Services \$3,401/year
 - a. Payment of LAFCO claims, contracts as directed by appropriate LAFCO authorities – County of Butte provides budgetary tracking and information, but assumes no responsibility for budget-checking or potential over-budget conditions.
 - b. Apportionment/Collection of LAFCO Funding in accordance with Government Code Section 56381.
 - c. Billing for County services provided.
 - d. Revenue and Expenditure reporting using the Butte County Financial System.

4. Treasury Services \$35/year
 - a. Cash management
 - b. SOI fund
 - c. Accrued Leave Balance Fund
 - d. Investment management

5. General Services
 - a. Print Shop
 - i. Copiers \$1,563/year
 - ii. Print Shop \$ Actual Use
 - iii. Postage \$ Actual Use

6. Human Resources

\$ 13,500/year

a. Payroll Services included in rate above

- i. The County of Butte provides payroll processing and reporting services only, LAFCO remains the Employer of Record.
- ii. Setup new hires, enter all personnel actions (promotion/demotion, merit increases, additional pays, etc.), process terminations as necessary; including processing final payments, notify providers of any status changes.
- iii. Direct Deposit.
- iv. Enter employee requested W-4 changes.
- v. Payroll Tax Reporting (Federal and State).
- vi. Annually required State Controller report of wages by classification
- vii. Provide proposed annual fringe benefit worksheets, coordinate open enrollment and update employee benefit elections and deductions, provide annual PERS Annual Required Contribution (ARC) information, and calculate necessary contribution rate.
- viii. Year end reporting, W-2 issuance to employees.
- ix. Deduction Management – collect and distribute deductions and contributions on behalf of LAFCO employees. These currently include health, dental, vision and life benefits, taxes, EAP, Workers' Comp, Deferred Comp, Section 125 Plan, PERS contributions, etc. Perform monthly account reconciliations of deductions and contributions against outside payments to avoid under/overpayment errors.
- x. Contracting agencies are required to pay CalPERS an administrative fee and PEMHCA (Public Employees' Medical and Hospital Care Act) fee for current retirees. HR identifies and allocates the administration and PEMHCA fees to participating departments/agencies.

b. Additional Services billed at HR labor rate ~ currently \$85.17/hour

- i. Hourly rate subject to Annual update.
- ii. Journal/Payroll corrections as a result of LAFCO error in submission.
- iii. Telephone support/assistance.

Attachment 2 Paylocity Contract Summary

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Investment Summary

August 24, 2023 | Quote # Q-130896 | Quote valid for 30 days




Client Company
Butte Local Agency Formation Commission
 1453 Downer St # C
 Oroville, ca 95965
 530) 538-7784

Client Contact
Steve Lucas
 1453 Downer St # C
 Oroville,ca 95965
 530-538-7784

 **Total Employee Count**
4

 **Monthly Fee**
\$163.20

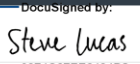
 **One-Time Fees**
\$280.00

 **Total Annual Investment**
\$2,036.40

**Total Annual Investment includes estimated annual fees
 *Annualized fees do not include usage based fees
 *Monthly fees based on # of active employees
 **Plus sales tax if applicable*

See following pages for line item
 breakdown of services

Paylocity Account Executive	Date
Signature	Alfredo Contreras 224-318-3936

Client Authorization	Date
DocuSigned by:  Signature 8974C67EE6494D2...	25 August 2023
Name (Print)	

The Paylocity services covered by this order are provided in accordance with the terms and conditions of the applicable Paylocity subscription agreement and any additional terms specified below.

Investment Summary

August 24, 2023 | Quote # Q-130896 | Quote valid for 30 days



One-Time Fees	Qty	Rate	Price
HCM Bundle			\$280.00
Payroll Implementation	-	-	Included
Self-Service Portal Implementation	-	-	Included
Time Off Implementation	-	-	Included
Time & Labor Implementation	-	-	Included
Expense Implementation	-	-	Included
Benefit Essentials Implementation	-	-	Included
Human Resources Implementation	-	-	Included
One-Time Total			\$280.00

Monthly Fees	Base	Qty	Rate	Monthly
HCM Bundle	\$136.00	4	\$6.80	\$163.20
Efficient Tech				
• Payroll Processing	-	-	-	Included
• Direct Deposit	-	-	-	Included
• Signed & Sealed Checks	-	-	-	Included
• Tax Filing Services	-	-	-	Included
• Employee Self-Service	-	-	-	Included
• Electronic Garnishments	-	-	-	Included
• Direct Agency Pay	-	-	-	Included
• QuickBooks Online Self-Setup Integration	-	-	-	Included
• New Hire Reporting	-	-	-	Included
• Labor Law Poster with E-Update Service	-	-	-	Included
• Time Off Management	-	-	-	Included
• Time & Attendance	-	-	-	Included
• Expense Management	-	-	-	Included
• Benefit Essentials	-	-	-	Included
• Human Resources Management	-	-	-	Included
• General Ledger Service	-	-	-	Included
• Compensation Management	-	-	-	Included
Monthly Total			\$163.20	

Annual Fees	Base	Qty	Rate	Annual
W2 / 1099	\$50.00	4	\$7.00	\$78.00
Annual Total			\$78.00	

Usage-Based Fees	Base	Rate
Delivery Next Day (UPS)		\$20.00

The fees listed above are invoiced as incurred on per usage basis in accordance with the terms and conditions. Please note these fees are in addition to the ongoing fees stated in the Investment Summary section of the quote.