

May 5, 2022 (Agenda)

Local Agency Formation Commission
105 East Anapamu Street
Santa Barbara CA 93101

Authorize a Professional Services Agreement for Payroll Services

Dear Members of the Commission

RECOMMENDATION

It is recommended that the Commission consider payroll service options and direct staff accordingly, or delegate authority to Executive Officer to sign Professional Service Agreement with Payroll Vault to provide Payroll Services consistent to the terms set forth in the Payroll Vault proposal dated April 20, 2022, for a cost of \$186.00 per pay period; Labor Law Poster Package for \$88.00/year; set up fee of \$99.00 and other miscellaneous fees for issuing W-2's.

DISCUSSION

In February 2022, staff reported concerns with our current payroll service provider ADP's system which cannot adequately complete local State quarterly tax filings under both CA ID numbers. The Commission authorize the Executive Officer to investigate if there is a better payroll service option for LAFCO to use and present these options at a future meeting. Since the February meeting, ADP has filed local taxes for the rejected quarters in 2021 for the Commissioners ID number along with the first quarter in 2022. These filings were rejected again by the State and staff has continued to file for local taxes under both CA ID numbers for all quarters. ADP's system continues to not be able to file local taxes. In addition, staff has become to understand why filing are either late or miss reported by ADP. ADP typically estimates the local quarterly taxes, and these estimates are generally incorrect, which requires additional filings to be made and payment of any penalties and interest. ADP does not offer the ability to manual log-in to the State EDD E-file system and report these local taxes.

Option #1

Based on the factors outlined above, staff has reached out to a handful of local CPA firms for independent proposal to provide payroll services. A few firms are able and interested in providing such services. Generally, the costs are based on an hourly rate that range from \$90 to \$125 per hour.

These costs are outlined in **Attachment A**. An initial set-up cost (\$300-\$500) and monthly service charge (\$180-\$250) would be required for a local CPA to conduct book keeping services and file taxes on LAFCOs behalf. Monthly the CPA Firm would calculate the Commissioners earnings and employees' salaries, the paystubs would be uploaded and transmitted through a secure portal. At the same time, CPA would calculate the necessary payroll taxes, this would also be provided to LAFCO through the portal. LAFCO in turn would supply the CPA with our EFTPS and EDD information to make the tax deposits. LAFCO may be responsible for writing the net checks to match the payroll information provided by the CPA. Checks would need to be processed through FIN. Payroll and processing of paystubs and all associated deductions may be the responsibility of the Executive Officer and/or Clerk through the County Auditor's FIN System. One firm indicated this activity would be part of the service another indicated it would not. Some of the main purposes of evaluating alternative payroll services are to ensure adequate taxes are being filed with the State, and reduce staffing time associated with processing payroll. Transitioning to a CPA Firm would require larger time commitments from LAFCO personnel than what is currently allocated. Along with the increased cost of payroll services and staff time, Option #1 does not appear to meet LAFCOs needs.

Option #2

Based on ADP's system, the Commissioners Stipend could be paid under a Contractor 1099 style payment rather than an Employee W-2. What that would mean is taxes would not be taken out of the Commissions Stipend for each payroll. At the end of the year ADP would file a 1099 form with each Contractor (Commissioner) for year-end taxes to be filed by the individual. This would allow ADP to file local taxes for only one CA ID number. Staff would file with the State to remove the other existing ID. No added costs are associated with this option, rather re-assignment of Commissioner payroll type with ADP would be necessary. Option #2 does appear to meet LAFCOs needs. Although, if ADP continues to make estimate regarding local taxes, continued adjustment would be likely, causing further processing and staffing time to track.

Option #3

ADP offered an alternative while staff presented the situation over the phone, which is to continue with ADP's system, by setting up a second Payroll under both CA IDs under a W-2. What that would mean is ADP would continue to file taxes under both the 698 ID series and 749 ID series because we would have separate payrolls under one FEIN. The cost for ADP would essentially double our current monthly rate of approximately \$147.00, and staff would run each payroll independently through ADP. Option #3 does not appear to meet LAFCOs needs, and would double the costs.

Option #4

Transition to Payroll Vault, as our payroll service provider. Payroll Vault could also provide initial manual tax filings from ADP reports on an interim basis under an hourly rate. Payroll Vault would provide full payroll services approximately in July of 2022 once their system is ready to take on a new client under the costs outlined in their proposal. These costs are outlined in **Attachment B**. Payroll Vault would take over payroll process and perform the same service ADP was providing with the added benefit of manually filing local taxes under both CA IDs. Option #4 appears to best meet LAFCOs needs.

Conclusion

Since the beginning of 2005, LAFCO has been contracting with ADP to provide payroll services. ADP has performed this service with minimal discrepancies over the last five years. Starting last year, with the addition of a second CA ID number ADP has stated they cannot file local taxes under two IDs. This leaves LAFCO in the position to find an alternative for processing LAFCOs payroll. Options #2 and #4 make available options to either continue with ADP or transition to a qualified firm to provide similar payroll services to meet LAFCOs needs.

Attachments

Attachment A – Hourly Rates for Payroll Services by local Firms, February/March 2022

Attachment B – Proposal from Payroll Services by Payroll Vault, dated April 20, 2022

Please contact the LAFCO office if you have any questions.

Sincerely,



Mike Prater
Executive Officer

FW: NHH&CO "Payroll Services Alternatives for SBLAFCO"

Elaine Stevenson <EStevenson@nhhco.com>

Fri 2/25/2022 11:42 AM

To: Email Lafco <lafco@countyofsb.org>

Cc: Helena Ricardo <hricardo@nhhco.com>

Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

Hi Mike,

Thank you for the call and your time. This is to confirm the following

There would be initial set up time to key in the commissioners and employees information including salary, tax withholdings, pension contributions and YTD earnings. I estimate this to be approximately 3-4 hours or \$350-\$500.

Monthly we would calculate the commissioners earnings and employees salaries, the paystubs would be uploaded and transmitted through our secure portal. At the same time we would calculate the necessary payroll taxes, this would also be provided to you through the portal. You in turn would supply us with your EFTPS and EDD information to make the tax deposits. You would be responsible for writing the net checks to match the payroll information we provide. I estimate this to take 1.5-2 hours or \$180-\$250 per month.

Thank you, if you have any other questions please let me know.

Elaine

From: Elaine Stevenson
Sent: Friday, February 25, 2022 10:45 AM
To: lafco@sblafco.org
Cc: Kay Paterson <kpaterson@nhhco.com>
Subject: RE: NHH&CO "Payroll Services Alternatives for SBLAFCO"

Good Morning,

Was LAFCO and SBLAFCO each issued an EDD number or was one of them issued two numbers? Do they file jointly under one FEIN? Why did the EDD issue two different numbers? Please let me know, I would like to understand further why you have two different EDD numbers before offering our services. Alternatively, if you would like to give me a call my contact information is below.

Thank you,

Elaine

Elaine Stevenson | Nasif, Hicks, Harris & Co., LLP
104 West Anapamu Street, Suite B | Santa Barbara, CA 93101-3126
Main: (805) 966-1521 Ext. 108 | Fax: (805) 963-1780 | estevenson@nhhco.com

PRIVILEGED AND CONFIDENTIAL This communication and any accompanying documents are confidential and privileged. They are intended for the sole use of the addressee. If you receive this transmission in error, you are advised that any disclosure, copying, distribution, or the taking of any action in reliance upon this communication is strictly prohibited.

ATTACHMENT A

Moreover, any such disclosure shall not compromise or waive the attorney-client, accountant-client, or other privileges as to this communication or otherwise. If you have received this communication in error, please contact me at the above email address and delete this email.

From: Kay Paterson <kpaterson@nhhco.com>
Sent: Friday, February 25, 2022 9:58 AM
To: Elaine Stevenson <EStevenson@nhhco.com>
Subject: FW: NHH&CO "Payroll Services Alternatives for SBLAFCO"

Please see the below email. Is this something that you can provide a response for?

Thanks so much,

Kay Paterson | Nasif, Hicks, Harris & Co., LLP
104 West Anapamu Street, Suite B | Santa Barbara, CA 93101-3126
Main: (805) 966-1521 | Fax: (805) 963-1780 | kpaterson@nhhco.com

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From: Judy Montgomery <JMontgomery@nhhco.com>
Sent: Thursday, February 24, 2022 11:50 AM
To: Kay Paterson <kpaterson@nhhco.com>
Cc: Mary Kathryn Marris <mkmarris@nhhco.com>
Subject: FW: NHH&CO "Payroll Services Alternatives for SBLAFCO"

Judy Montgomery | Nasif, Hicks, Harris & Co., LLP
104 West Anapamu Street, Suite B | Santa Barbara, CA 93101-3126
P: (805) 966-1521 Ext. 104 | F: (805) 963-1780

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From: Mike Prater <info@nhhco.com>
Sent: Wednesday, February 23, 2022 12:24 PM
To: Info <Info@nhhco.com>
Subject: NHH&CO "Payroll Services Alternatives for SBLAFCO"

[EXTERNAL E-MAIL]

You have a new submission.

ATTACHMENT A

From: Mike Prater (lafco@sblafco.org)
Subject: Payroll Services Alternatives for SBLAFCO

Message Body:
Good afternoon,

The Santa Barbara Local Agency Formation Commission is considering alternative payroll services for LAFCO. SBLAFCO currently uses ADP as our payroll provider for Commissioner Stipend and Employee salary. However, SBLAFCO was issued two CA ID numbers from State EDD for its employees distinct from the Stipends paid to our Commissioners. As a result of having 2 CA ID's, ADP's system is not capable of filing local taxes under both ID's.

To this end, I was authorized by the Commission to evaluate if a local accounting firm or CPA would be better able to serve LAFCOs needs and take over payroll services and ensure all taxes are filed appropriately. If you have any interest in speaking with me further regarding this opportunity, please email or call at your earliest convenience.

Thank you for your time and consideration into this matter.

Mike Prater
Executive Officer
Santa Barbara LAFCO
105 E. Anapamu Street. Santa Barbara, CA. 93101
t. (805) 568-3391 f. (805) 568-2249

RE: LAFCO

Carola Nicholson <carola@nicholsonschwartz.com>

Tue 3/29/2022 10:14 AM

To: Email Lafco <lafco@countyofsb.org>

Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

Hi Mike,

Sorry for the late response, we will take care of calculating payroll and doing all deductions and processing paystubs, hard to get a range until we do a couple of payroll but a quick calculation would be between \$400 to \$600 a month

Thanks

Carola A. Nicholson CPA MST
Nicholson & Schwartz CPA's
111 E de la Guerra Street
Santa Barbara, CA 93101
(p) 805-969-9662
(f) 805-969-7672

From: Email Lafco <lafco@countyofsb.org>
Sent: Tuesday, March 1, 2022 10:57 AM
To: Carola Nicholson <carola@nicholsonschwartz.com>
Subject: Re: LAFCO

Carola,
Here are a few helpful specifics:

11 Commissioners receive stipends (generally monthly) some months there are no meetings. Each required to sign attendance form.

2 Employees on salary, paid monthly. +plus misc. pay such auto allowance, extra cash, phone, etc.

Employees also participate in SBCERS, and 457(b) plan.

All direct deposits will be set-up (w-4, I-9, etc form can be provided)

Question: Under your service would LAFCO personnel be required to conduct all processing of paystubs and all associated deductions? Part of seeking a transition is to limit staffing time associated with processing payroll.

Mike Prater
Executive Officer
Santa Barbara LAFCO
105 E. Anapamu Street. Santa Barbara, CA. 93101
t. (805) 568-3391 f. (805) 568-2249

ATTACHMENT A

From: Email Lafco <lafco@countyofsb.org>
Sent: Wednesday, February 23, 2022 3:41 PM
To: Carola Nicholson <carola@nicholsonschwartz.com>
Subject: Re: LAFCO

Thank you Carola,
I am happy to provide any information for you to put together a proposal.
Please outline your specific needs and I will gather the information for your use.

Mike Prater
Executive Officer
Santa Barbara LAFCO
105 E. Anapamu Street. Santa Barbara, CA. 93101
t. (805) 568-3391 f. (805) 568-2249

From: Carola Nicholson <carola@nicholsonschwartz.com>
Sent: Wednesday, February 23, 2022 2:25 PM
To: Email Lafco <lafco@countyofsb.org>
Subject: FW: LAFCO

Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

Hello Mike,

Thank you for the inquiry, we do provide payroll services at \$90 per hour. We would need some information in order to be able to provide you with a quote for our fees.

Thanks

Carola A. Nicholson CPA MST
Nicholson & Schwartz CPA's
111 E de la Guerra Street
Santa Barbara, CA 93101
(p) 805-969-9662
(f) 805-969-7672

From: Email Lafco <lafco@countyofsb.org>
Sent: Wednesday, February 23, 2022 12:24 PM
To: Patty Fling <Patty@nicholsonschwartz.com>
Subject:

Good afternoon, Carola,

The Santa Barbara Local Agency Formation Commission is considering alternative payroll services for LAFCO. SBLAFCO currently uses ADP as our payroll provider for Commissioner Stipend and Employee salary. However, SBLAFCO was issued two CA ID numbers from State EDD for its employees distinct from the Stipends paid to our Commissioners. As a result of having 2 CA ID's, ADP's system is not capable of filing local taxes under both ID's.

ATTACHMENT A

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t. (805) 568-3391 f. (805) 568-2249

FW: LAFCO

Carola Nicholson <carola@nicholsonschwartz.com>

Wed 2/23/2022 2:26 PM

To: Email Lafco <lafco@countyofsb.org>

Caution: This email originated from a source outside of the County of Santa Barbara. Do not click links or open attachments unless you verify the sender and know the content is safe.

Hello Mike,

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Subject:

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ATTACHMENT A



Payroll Review of Findings for SBLAFCO

Date: 04/20/2022

Prepared by Frank Palmieri

Payroll Schedule	<p><u>Current Method:</u></p> <ul style="list-style-type: none"> - Monthly - Pay Period: thru EOM - Pay date: Following Friday <p><u>Recommended Method:</u></p> <ul style="list-style-type: none"> - Monthly - Pay Period: thru EOM - Pay Date: Following Friday <p>Recommendation: Most employers incorporate a 5-7 day buffer between the end of the pay period and the pay date to protect themselves from unforeseen circumstances (power outage, flooding, and employers' absence for vacation or sickness) and to assure transaction time for direct deposit. We recommend keeping at least 5 days between the end of the pay period and pay day.</p>
	<p><u>Current Method:</u></p> <ul style="list-style-type: none"> - Direct Deposit <p><u>Recommendations:</u></p> <ul style="list-style-type: none"> - Direct Deposit or Pay Cards <p>Studies show that replacing costly checks with an electronic method of payment can reduce cost for both employers and employees. Direct Deposit or Pay Cards also save time and money for both employers and employees. Pay Cards are a great solution for those un-bankable employees, or employees who don't prefer direct deposit. This offers them the convenience of a digital solution without the risk of a paper check.</p>
Compliance	<p><u>Current Method:</u> ADP</p> <ul style="list-style-type: none"> - Payroll Advisor: No (1-800#) - HR Advisor: ? - Labor poster update compliance: ? - Workers' Compensation: Unknown <p><u>Recommendations:</u></p> <ul style="list-style-type: none"> - When partnering with Payroll Vault you will have a dedicated payroll specialist to keep your business in compliance and to advise you on best practices customized to your business. - HR Service – online resources combined with phone support to solve common HR issues backed up by experienced HR experts. - Subscribe to our labor poster update service in order to stay in compliance with the Department of Labor and OSHA. - Pay-as-you-go Workers' Compensation – a new method for paying insurance premiums based on actual payroll versus estimated. Pay-as-you-go coverage eliminates premium deposits, reduces audit exposure, and improves cash flow.
Efficiency	<p><u>Paperless payroll:</u></p> <p>Payroll Vault Green Payroll supports a paper-free, highly efficient, and secure process. Entering data via our client portal eliminates time consuming data entry and fax reporting. Additionally, employees can access their reports and information using our mobile app. Offer your employees the convenience of accessing paystubs and W-2s online via our employee self-serve portal.</p> <p><u>Automated time keeping:</u></p> <p>Automated time keeping can eliminate paper time cards, significantly reducing the cost of employee labor and minimizing human error and the time required to calculate employee time cards. Automated time-keeping streamlines the entire payroll process and allows for better labor management and tracking.</p>



Discussion Document for SBLAFCO

Quote date: 04/20/2022

Prepared by Frank Palmieri

Professional Vault Package

Business Payroll Processing
 New Hire Reporting
 Direct Deposit, Pay Cards and/or Paper Checks
 Standard Online Reports
 One State & Local Tax Filing
 Federal Tax Filing
 Check Pickup or Delivery via USPS
 Remote Payroll Entry
 Employee Self Service Portal

Mobile Apps
 Retirement Plan Reporting
 Accruable Benefits Tracking
 Specialized Reporting
 QuickBooks Mapping
 Accountant/Bookkeeper Access
 HR Online Support
 Labor Law Poster Email Updates

<p>Per Payroll (Monthly):</p> <ul style="list-style-type: none"> - Professional Vault Package- \$91.00 - Per Check - \$5.00 x 2 employees \$10.00 - Per Check - \$5.00 x 11 Commissioners \$55.00 - 457B/Pension Administration \$30.00 <hr/> <p>Estimated Per Payroll Total: \$ 186.00</p> <p>Quarterly:</p> <ul style="list-style-type: none"> - Quarterly processing - \$100.00 (IRS + 2x EDD accts) <p>Annually:</p> <ul style="list-style-type: none"> - \$8.95 per each W2 and/or 1099 <p>One Time:</p> <ul style="list-style-type: none"> - Setup = \$99.00 (for 1st 5 ee's, \$10/ee thereafter) 	<p>Optional Services:</p> <p><i>Labor Poster Set Package w/ automatic replacement service</i></p> <ul style="list-style-type: none"> - \$88.00/year <p><i>HR On Demand Support</i></p> <ul style="list-style-type: none"> - Additional \$49.95/mo <p><i>Pay-as-you-go Workers' Compensation Insurance</i></p> <ul style="list-style-type: none"> - Request a courtesy quote <p><i>Automated Time Keeping Solution</i></p> <ul style="list-style-type: none"> - Request a Quote
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Payroll Vault: Client Focused and Technology Driven

We are the Santa Barbara Franchise for Payroll Vault available to you with local expertise. When partnering with Payroll Vault, we help you save time and money on payroll issues by streamlining your payroll process and reducing your banking and accounting fees. Our mission is to be an extension of your company and to serve you as payroll advisors and consultants. We want to keep you in compliance on constantly changing tax regulations and handle all of your payroll needs so you can focus on running your business. As a Payroll Vault client, you will work directly with your Dedicated Payroll Specialist which increases accuracy of your payroll, assures great customer service and prompt response time.

Optional Services:

A **Labor Poster** is required by law for all employers with at least one employee and failure to display up-to-date labor law posters can result in fines or lawsuits. This would be a first choice Optional Service for your payroll package. With this Labor Poster option, if a change in the law should occur during the subscription year, we will automatically email you the update(s) to keep you in compliance.

(Cont.)



Discussion Document for SBLAFCO

Quote date: 04/20/2022

Prepared by Frank Palmieri

Optional Services (Cont.):

We offer **HR On Demand** support as a hassle-free resource where you can access expertise across all things HR. Utilizing our HR online support ensures peace of mind when hiring or firing employees, developing handbooks or job descriptions and so much more. **HR On Demand** gives you access to HR professionals who can legally answer any HR questions you may have. Also, as a Payroll Vault client you will have access to our Business Alliance Network and services such as Employee Benefits, Tax and Accounting services, Background Checks, Banking and more.

In California, **Workers' Compensation** Insurance is mandatory for all employers, even if the company only has one employee; failure to carry such insurance can result in fines or lawsuits. With a "Pay-As-You-Go" Worker's Comp policy, premium payments are based on actual payroll, not projected annual payroll. That can help protect from audit exposure, because the premium is based on real-time payroll wages, not an estimate. Plus, spreading these costs out over the year, versus an up-front payment, helps each business manage workers' compensation costs and improve cash flow. We have representatives with the experience and expertise to find a policy suitable to your size and needs—ask us for a courtesy quote which we can shop across a field of 26 bona fide vendors.

Thank you for this opportunity to provide you with some information regarding our Payroll Services—specifically designed for small businesses and organizations such as yours. You can see the range of optional services available to help create a customized suite of support to meet your specific needs. I very much look forward to working with you—let's follow up soon to answer any questions you may be having.

Frank Palmieri | Payroll Sales

frank.palmieri@payrollvault.com

115 S La Cumbre Ln, Santa Barbara, CA 93105

805.500.8347 x102 (p) | 805.465.7831 (f) | 805.448.8647 cell

PayrollVault online > payrollvault-sb.com