

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:
Prepared on: 8/3/04
Department Name: Auditor-Controller
Department No.: 061
Agenda Date: 8/17/04
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Robert W. Geis, Auditor-Controller
Scott Ullery, Deputy County Administrator

STAFF CONTACT: Betsy Schaffer
x2873

SUBJECT: Payroll and Human Resource Services Provided to Courts

Recommendation(s):

That the Board of Supervisors:

Authorize the execution and transmission of a letter notifying the Superior Court (Courts) that the Auditor-Controller (AC) and Human Resource (HR) Departments will discontinue payroll and human resource services effective July 1, 2005, pursuant to Government Code 77212.

Alignment with Board Strategic Plan:

This recommendation is primarily aligned with Goal No. 1 – An Efficient Government Able to Anticipate and Respond Effectively to the Needs of the Community.

Executive Summary and Discussion:

Since the enactment of the Trial Court Funding Act of 1997, and subsequent legislative changes in 2001, the Auditor has acted as an agent for the Court and has no legal authority with regard to directing accounting/payroll practices of the Court, negotiating Court payroll policies and procedures with the union, or auditing of Court payroll records.

The Courts are currently integrated with the County's Pay+ computer system for payroll and human resources. This integration is difficult when the Courts request changes to the system to meet processing needs that are distinct from the County. The system was not designed to service multiple agencies. Each request must be analyzed for its impact on the Pay+ system. If a programming request must be declined, manual processes are required of both the Courts and AC Payroll staff. If a request is approved, the County

takes a risk that the change being systematically programmed specifically for the Courts' 300 employees may create errors on the other 4000+ employees that are not impacted by the change.

Examples of recent changes made to payroll and human resource services at the request of the Courts include:

- Accommodating Employee Furloughs
- Accommodating a Different Worker's Compensation Program
- Accommodating New Job Classes for Court Interpreters by SB371
- Accommodating a Separate Leave Balance for Alternate Accrual Maximums and Payout Scenarios, and other union membership changes that differ from County procedures

It is anticipated that the Courts will continue to have needs that diverge from County practices. Therefore, in order for the Courts to freely institute management objectives or legal mandates that are not subject to County practices, we are recommending that the Courts pursue a Payroll and Human Resource system more flexible to their unique needs. The Auditor-Controller's Office and the Human Resource Office will readily assist to make this a successful transition. Additionally, our offices have put together a list of Payroll and Human Resource topics that should be considered to execute the transition smoothly (Exhibit B).

Per Government Code §77212(b): "[T]he county may give notice to the court that the county will no longer provide a specific service except that the county shall cooperate with the court to ensure that a vital service for the court shall be available from the county or other entities that provide the service. The notice must be given at least 90 days prior to the end of the fiscal year and shall be effective only upon the first day of the succeeding fiscal year."

Upon approval of the Board, our offices will be authorized to execute and transmit the notification letter (Exhibit A) to the Courts. This letter must be received by the Courts prior to 3/31/2005 to qualify as the 90-day notice for this type of action pursuant to GC §77212. The notification letter informs the Courts that payroll and human resource services will cease effective 6/30/2005. However, if they choose and have paid for the services provided, the Courts may elect to stay with the County through 12/31/2005 to accommodate a new tax year.

Mandates and Service Levels:

Compliance with Government Code §77212(b), which provides for a 90 day notice prior to the end of the fiscal year to terminate services.

Fiscal and Facilities Impacts:

Over the long-term, the Auditor-Controller and Human Resources can run more efficient systems by focusing system and procedural efforts towards County specific needs and enhancements. The Courts' cost allocation charges for FY 2003-04 are \$56,991 for payroll and \$5,885 for human resources, while total costs for payroll are \$977,553 and \$983,268 for human resources (benefits program).

Special Instructions:

Clerk of the Board to transmit a copy of the Board action to the Courts

Concurrence:

County Counsel
County Administrator

COUNTY OF SANTA BARBARA

ROBERT W. GEIS, C.P.A.
Auditor-Controller

JOHN J. TORELL, C.P.A.
Assistant Auditor-Controller



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OFFICE OF THE AUDITOR-CONTROLLER

August 17, 2004

Unified Superior Court
State of California
County of Santa Barbara
Gary M. Blair, Trial Court Executive Officer
1100 Anacapa Street
Santa Barbara, CA 93121-1107

Dear Mr. Blair:

In accordance with Government Code 77212, we are providing notice that the County will no longer provide payroll or human resource services to the Court. Since January 2001, we have acted as an agent for the court in processing payroll and providing human resource services, which was necessitated by legislative mandate to aid in the transition of the Court to an independent employer status.

The Court is currently integrated within the County Pay+ system. Due to its distinct business needs, the Court is migrating away from County business practices. This migration has resulted in an increase in complexity for processing the County Payroll and performing Human Resource services. With State budget volatility, the County needs to ensure that its systems are operated efficiently and according to County business practices.

Examples of required Court business changes include employee furloughs, integrations of a new workers compensation third party administrator, new job classes for court interpreters by SB 371, and handling of union membership changes in a different manner than County procedures. As you are aware, the Auditor acting as an agent for the Court has no legal authority with regard to negotiating Court payroll policies and procedures with the union, auditing of Court payroll records or directing accounting/payroll practices of the Court.

As other agencies have migrated from the County, these agencies have outsourced their payroll services to the ADP payroll processing company. This would include APCD, SBCAG, and ten special districts that maintain their funds in the County Treasury. It is

our understanding that the State Administrative Office of the Courts (AOC) has a master contract for payroll services with ADP. It is also our understanding that other Courts have successfully migrated to the ADP system. You may wish to follow up with AOC regarding a contract with ADP.

We recommend to the Courts that you consider switching to a new system effective January 1, 2005 to accommodate the new tax year and transition to a new system as seamlessly as possible. Since both the HR position control and employee benefits systems utilize the Pay+ software, it would be difficult if not impossible for HR staff to continue to perform their Court related functions through an outside vendor. Thus, please be informed that both the payroll and human resource services to the Courts will cease effective 6/30/2005. If necessary, you may negotiate to stay with the County through 12/31/2005. The Auditor-Controller and Human Resources will make every effort to cooperate with the Court to ensure that this vital service to its employees is smoothly transitioned to a new system.

Sincerely,

Robert W. Geis, CPA
Auditor-Controller

Scott Ullery
Deputy County Administrator

cc: Jennifer C. Christensen, Deputy County Counsel
Michael F. Brown, County Administrator

County of Santa Barbara
Courts Payroll and Human Resource Transition

Payroll Functions

1. Payroll check printing / direct deposit
2. Accrual and balance calculations for sick, vacation, furlough, and holidays
3. Collection, payment, and reporting of FICA & Medicare for both employee and employer portions
4. Collection, payment, and reporting of federal & state income taxes for employees
5. Collection, payment, and reporting of retirement withholdings – employees & judges
6. Collection, payment, and reporting of employer & employee contributions for insurances, voluntary deductions, deferred compensation, etc.
7. Collection, payment, and reporting of State Disability Insurance
8. Collection, payment, and reporting of State Unemployment Insurance
9. Posting payroll labor and liability transactions to the general ledger
10. Withholding and forwarding wage garnishments
11. Integrating Court leaves with federal and state leave laws
12. Income taxability issues surrounding section 125 cafeteria plan amounts
13. Administering a section 125 flex spending program
14. W2 reporting
15. Coordinating payroll processing and system management

Human Resource Functions

1. Receive and review all employment related forms for new hires, position changes, and separations, process all changes into the payroll system; maintain position control records for all Court positions; produce and distribute HR reports from Pay+; respond to departmental inquiries about employee position transactions.
2. Process employee benefit enrollments, coverage changes, and terminations; input changes into County payroll system; process payments to insurance carriers; request Cobra notifications for new and terminating staff; respond to departmental inquiries about employee benefit plan issues.
3. Maintenance and custody of employment records for Court employees