

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:
Prepared on: 3/14/06
Department Name: Auditor-Controller
Department No.: 061
Agenda Date: 4/11/06
Placement: Administrative
Estimate Time:
Continued Item: NO
If Yes, date from:

TO: Board of Supervisors

FROM: Robert Geis, Auditor-Controller

STAFF CONTACT: Julie Hagen, Division Chief

SUBJECT: Outsource processing of Flexible Spending Plan

Recommendation(s):

It is recommended that the Board of Supervisors authorize the Auditor-Controller to outsource the Flexible Spending Plan processing to ADP Benefit Services and give the Auditor-Controller the authority to sign the contracts necessary as part of this outsourcing.

Alignment with Board Strategic Plan:

The recommendations are primarily aligned with Goal No. 3: A strong professionally managed county organization.

Executive Summary and Discussion:

Background

Flexible Spending Accounts (FSAs) are easy-to-use employee benefit programs. The County Flexible Spending Program provides payroll tax savings to employees for certain health care and dependent care expenses while providing employer tax savings to the County of Santa Barbara.

Our recommendation is to outsource the processing of the Flexible Spending Plan while increasing the service provided to employees. The County would maintain administrative control of the plan, as we do today.

Discussion

There are multiple advantages to outsourcing the Flexible Spending Plan processing. The advantages are:

1) Eliminate the need to rewrite the existing application

The current Flexible Spending Application is in old FoxPro technology and needs to be rewritten in newer technology if it is going to continue to function. Outsourcing the plan will eliminate the need to rewrite the application in-house.

2) Take advantage of new technology

Outsourcing this service will allow the County to take advantage of new technology that is already part of an outsourced FSA Processing Service. The new technology will provide employees with a Stored Value Card and a web-based application to access their data. The Stored Value Card works like a debit card so employees can access their pre-payroll tax dollars via the card and reduce the need for out-of-pocket expenses. The web-based application will allow employees 24-hour access to information.

3) Costs of outsourcing are paid for with payroll tax savings

When employees participate in this program, the employee and the employer saves payroll taxes. The cost of the outsourcing will be covered by employer payroll tax savings.

4) Increased participation

By increasing participation in the program, the employee and employer tax savings will increase. These savings will be passed on to the departments through the reduction in payroll processing costs. We will work on a communication campaign to inform the employees of the tax advantages of participating in the program. With increased participation in the program the tax savings to the employer will increase.

5) Quality processor

The outsourcer we have chosen, ADP, Inc., to provide this service is a quality company with AAA Rated Stock, money movement of over 1 trillion dollars per year, 40,000 associates worldwide and is the market leader in Flexible Spending Account Administration.

Mandates and Service Levels:

The Board is under no mandate to outsource the Flexible Spending Plan. We feel the service level to the employees will increase with this change.

Fiscal and Facilities Impacts:

The fees for this service, estimated at an annual cost of \$45,000, will be paid for with employer payroll tax savings and charged against departmental budgets with what we believe will be minimal impact, if any.

Special Instructions:

Authorize the Auditor-Controller to execute the Flexible Spending Plan agreement including any related agreements necessary to set up the direct deposit Automated Clearing House (ACH) processing and the Stored Value Card Agreements.

Concurrence:

Human Resources