

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: NOVEMBER 12, 2013 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #5: Consideration of Contract with County of San Bernardino Auditor-Controller/Treasurer/Tax Collector for Continued Payroll and Accounting Services

RECOMMENDATION:

Staff recommends that the Commission continue the consideration of the new contract with the County Auditor for payroll and accounting services to the January 15, 2014 hearing.

BACKGROUND:

LAFCO has contracted with the County for payroll and payroll reporting and accounting services since 1981 when it became independent of the County. As a part of this relationship, on behalf of LAFCO, the County has deposited and paid LAFCO's federal and state employee tax liabilities, while utilizing the County's Federal and State Employer Identification Number.

In June, the County notified LAFCO that recent changes in payroll reporting in the Internal Revenue Code as a result of the Affordable Care Act require the establishment of a payroll reporting relationship (in this case the relationship between the County and LAFCO). The County's letter, dated June 21, 2013, is attached to this report. Pursuant to the new legislation, the Commission had the option to either:

1. Terminate its reporting relationship with the County and deposit and pay its own federal and state tax liabilities effective October 1, 2013 (extended to January 1, 2014 by Presidential Executive Order), or
2. Continue this relationship for payroll services with the County, which would require LAFCO to obtain its own federal and state identification numbers.

At the July hearing, the Commission determined to continue the relationship with the County and directed the Executive Officer to negotiate a contract with the County for payroll reporting and accounting services and obtain its own federal and state identification numbers. LAFCO's response to the County Auditor is included as Attachment #2.

However, rather than amending the current contracts with the agencies that it has a payroll relationship, the County now desires to enter into new contracts with each contracting agency to encompass all of the services provided by the Auditor. As of the date of this report, the County has not yet finalized a draft contract. Therefore, LAFCO staff cannot provide a draft contract at this time for review by the Commission.

In response, the Assistant Auditor has sent the Commission a letter, dated November 7 (included as Attachment #3), stating that the revised contract is anticipated to be presented to the Board of Supervisors for approval in December, no later than January. In the interim, the Assistant Auditor assures that payroll services will continue to be provided in the same manner as before and it will continue to deposit and pay LAFCO's payroll taxes as LAFCO's "reporting agent", using LAFCO's separate Federal and State Employer Identification Numbers.

Staff will continue to work with Auditor staff on the new contract and provide that document to LAFCO Legal Counsel as soon as possible to allow for his review prior to the January Commission consideration.

CONCLUSION:

LAFCO staff will continue to work with the County to ensure that payroll reporting and accounting services take place appropriately and that any questions on the proposed contract are provided to the County expeditiously. Staff recommends that the Commission continue this matter to the January 15, 2014 hearing for consideration.

MT/KRM

Attachments:

1. [Letter from County of San Bernardino dated June 21, 2013](#)
2. [LAFCO Response to County Auditor Controller Dated July 24, 2013](#)
3. [Letter from County of San Bernardino dated November 7, 2013](#)