City of Culver City, California

City Council Agenda Item Report

Meeting Date: 09/24/07	Item Number: A-5
AGENDA ITEM: Approval of a Budget Amendment to Fund a Payroll Technician Position.	
Contact Person/Dept.: Crystal C. Alexander, City Treasurer's Office	Phone Number: 310-253-5866
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [] Action Item: [X]	Attachments: [X]
Public Notification: Master Notification List (09/19/07)	
Department Approval: Crystal C. Alexander (09/13/07)	City Attorney Approval: Carol Schwab (by H. Iker) (09/18/07)
City Controller Approval: Marlee Chang (09/18/07)	City Manager Approval: Jerry B. Fulwood (09/19/07)

RECOMMENDATION:

Staff recommends the City Council approve a budget amendment to add an additional Payroll Technician position for Fiscal Year 2007-08 in the amount of $38,430 including salary and related benefits for the remainder of the fiscal year. The funding for this position was approved in second year (Fiscal Year 2008-09) of the two-year budget that was adopted in June 2007.

A Budget Amendment requires a 4/5ths vote.

BACKGROUND/DISCUSSION:

The Accounting Operations Division of the City Treasurer's Office ("CTO") has two Payroll Technicians who report to the Accounting Manager. The CTO's approved two-year budget provided for the reclassification of one existing Payroll Technician to a Payroll Technician II and for an additional Payroll Technician position to be funded in the second year of the budget (08/09).

The span of control and responsibilities in the Division include all Payroll matters (as well as related tax reporting and benefit payments), Accounts Payable (A/P) and Accounts Receivable (A/R) for both the City and the Redevelopment Agency. The Division is of paramount importance for the internal control/compliance monitoring of all payment activity in the City (projected at $133 million), whether to employees or vendors. Additionally, there has been a heightened emphasis on enforcement of collection for receivables.

The complexity of a city's accounting operation is a direct reflection of the complexity of the city itself. This is the case in Culver City, especially as Payroll operations includes processing payments to staff that work in departments that function 24 hours a day, 7 days a week. The input to the payroll system is so complicated that our former timecard vendor, Kronos, recommended that Los Angeles County contact us to discuss how we administered our contracts.

The PDBA (Pays, Deductions, Benefits and Accruals) list that is behind the production of individual paychecks is huge. There are 494 items on the list. Staff in Payroll must not only understand the formulas behind each of these items, but must also administer the 6 negotiated Memorandums of Understanding and the individual employment contracts that drive how these items apply, and also work to ensure that the 56 timekeepers in all the departments understand how the items apply as well.

When an error is made by the timekeepers in the departments, payroll staff must be prepared to catch and correct it on the front end or to be able to rectify the error instantly when it is discovered. This often requires an immediate payment to the employee as well as corrections to all reports that must be filed bi-weekly with PERS, PARS, Federal and State tax bodies, various courts and numerous vendors.

Payroll staff provides the quality control, throughout the paycheck production cycle, to ensure that accurate and timely payment is made. The current payroll schedule only allows accounting staff a two day turn around to process paychecks for approximately 750 employees. This number can increase significantly in summer months due to seasonal staff

Payroll staff also knows that their work can increase exponentially if payroll errors are not identified and corrected quickly, since late adjustments often require changing historical records, to ensure that tax reporting and W-2's are accurately reflected.

There is no question that payroll production is the most intense and time driven of the accounting operations conducted in the City. It is a mission critical operation. Upon employment, the City makes a good faith promise to its employees that they will be compensated timely and accurately for their services rendered.

It is a morale drain on an organization if payroll isn't completed to the highest standards. See the attached article about the severe payroll production problems now ongoing at the Los Angeles Unified School District for some perspective.

Producing a payroll for the City of Culver City is a highly difficult undertaking. It has grown, with the increasing complexity of the MOU's, Executive Employment Contracts, State and Federal tax regulations, retirement system (PERS & PARS) requirements, garnishments, maintenance of records, reconciliations, payment requests for deductions, and assistance to Departments. The City has been very fortunate to have the current professional staff in payroll. These dedicated long term employees ensure that the payroll is processed timely, even scheduling vacations around the payroll cycle.

Although there has been discussion in the past regarding outsourcing payroll functions, research indicated it was not feasible due to the complexity of the pays and deductions the City has.

Payroll is a complex operation. It requires expertise and concentration. It takes approximately two years before a Payroll Technician would be fully trained and able to work independently. The City is vulnerable by staffing this operation with only two positions. The operation of the division will be negatively impacted if one of the Payroll Technicians were sick, on emergency leave, or take another position; it could impact the division's ability to generate the payroll on a timely basis. Staff believes that it is better to recruit an additional position in the current fiscal year and not to wait till next budget year. .

FISCAL ANALYSIS:

The cost to implement this full-time position for the remainder of the fiscal year (estimated at six months following the requisite recruitment period) is approximately $38,430 including salary and related benefits. The approximate annualized cost is $76,860. It is recommended to transfer funding from the Appropriated Reserve account.

ATTACHMENTS:

1. Los Angeles Times article: L.A. Unified payroll a lesson in agony
2. Payroll Technician Job Classification

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MOTION:

That the City Council:

Approve a Budget Amendment to transfer $38,430 from the Appropriated Reserve to increase the personnel costs for the Accounting Operations Division, authorize the fund transfer from the General Fund Reserve to fund the increase of $38,430 to Accounting Operations Division (10112500) Account 411100 (Regular Salaries) and Various Benefit Accounts (431000, 432000, 433000, 433500, 434000, 435000, 436000) for Fiscal Year 2007-08.

This item requires a 4/5ths vote.