MEMORANDUM OF UNDERSTANDING FOR FINANCIAL AND PAYROLL SERVICES

This MEMORANDUM OF UNDERSTANDING (MOU) is by and between the Solano County Auditor-Controller (Auditor) and the Local Agency Formation Commission (LAFCO) of Solano County, a public agency established by the State of California.

1. **PURPOSE**

   The purpose of this MOU is to specify the terms for financial and payroll services provided to LAFCO by the Auditor and to ensure appropriate payment by LAFCO for those services.

2. **AGREEMENTS**

   a. LAFCO policies provide for reserves, purchasing, and claims processing. The parties agree to follow these policies as they apply to the Auditor's work for LAFCO. Policies are attached as Exhibit A.

   b. LAFCO will transmit resolutions and or other evidence of Commission action to notify the Auditor of all amendments and additions to the financial policies identified in the previous section.

   c. In the event of a question as to the valid authorization for expenditure, the Auditor shall review the expenditure documentation and discuss the matter with the LAFCO Executive Officer. If that does not resolve the issue, the Auditor shall then contact and consult with the LAFCO Chair. The direction of the LAFCO Chair shall be final.

   d. The Auditor will provide, and LAFCO will use, standard county forms for financial transactions.

3. **BUDGET AND REVENUE COLLECTION RESPONSIBILITIES**

   LAFCO and the Auditor have statutory budget responsibilities and deadlines as directed in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, under §56381, attached as Exhibit B. The parties agree to comply with those statutory requirements.

   The Auditor agrees to provide LAFCO with copies of the annual agency apportionment of LAFCO’s budget and the payment requests to cities and the County. Parties agree to respond promptly to requests and inquiries related to the apportionment and revenue collection.

4. SCOPE OF ADDITIONAL SERVICES - FINANCIAL

a. The Auditor will establish and maintain the general ledger and chart of accounts in accordance with the State Controller's guidelines and as appropriate for LAFCO operations.

b. The Auditor will enter LAFCO's adopted Final Budget into the Auditor's financial database system (OneSolution). LAFCO will transmit its Final Budget and Resolution to the Auditor as promptly as possible after approval each year for data entry.

c. The Auditor will provide LAFCO with access to the financial database system. In the event the LAFCO cannot access the Auditor's financial database, the Auditor agrees to provide the following monthly financial reports:
   - **i.** General Ledger Activity
   - **ii.** Monthly Trial Balance
   - **iii.** Monthly Deposits
   - **iv.** Monthly Detail
   - **v.** Monthly Status
   - **vi.** Monthly Summary

d. Financial information shall be kept reasonably current at all times. New transactions shall be entered into the general ledger within 10 business days of the information being provided to the Auditor.

e. The Auditor agrees to provide financial database training to LAFCO staff as necessary, as part of regular training classes, programs or sessions provided to County employees. Should LAFCO staff require training classes or sessions outside of the Auditor's normal training schedule, these services shall be billed as direct cost to LAFCO in addition and separate from the financial services fee.

5. PAYROLL SERVICES

a. LAFCO personnel actions are subject to Commission discretion only. A signed Commission resolution , valid minute order or documented commission direction will be provided to the Auditor as documentation for changes to the LAFCO's Personnel Salary Resolution including changes to salaries and benefits.

b. The Payroll Division will process LAFCO payroll using the forms prescribed by the Auditor. Payroll services provided by the Auditor shall include the following:

   i. Prepare and issue biweekly payroll warrants.
   ii. Prepare and issue biweekly State and Federal payroll taxes.
   iii. Prepare and issue the annual Federal and State wage and tax statements.

c. The Payroll Division will prepare and provide the following Reports:
   i. Employee Checkstub
   ii. Leave Accruals
   iii. Payroll Registers
   iv. Quarterly Federal Tax Returns, the State Unemployment Insurance, and State Personal Income Tax Withheld Quarterly Wage Reports.

d. The Payroll Division agrees to maintain records of employee leave balances for annual, sick, administrative leaves.

e. LAFCO shall be responsible for employee benefit-related transactions including but not limited to the following:
   i. Reconciling and paying benefit providers.
   ii. Enrolling, changing, and terminating employee benefits.
   iii. Submitting notification of employee status changes (appointments, terminations, family status) within thirty days of status change.
   iv. Notifying the Auditor of any changes to the employer contribution rate(s) immediately after the LAFCO adoption. Notification shall include LAFCO adopted resolutions or minute orders.

f. LAFCO shall transmit the CalPERS annual valuation report with the calculation of the employer's contributions. The LAFCO shall transmit a calculation of the employer's and employees' rates in accordance with the LAFCO's Personnel and Salary Resolution and the CalPERS valuation report. The Payroll Division shall remit benefit payments and required paperwork to CalPERS in accordance with established deadlines.

g. The Payroll Division will prepare and issue the IRS form 1099 Miscellaneous Income.

6. CHANGES AND AMENDMENTS

Either the Auditor or LAFCO may request changes in the scope of services provided under this agreement. Any mutually agreed upon changes shall be effective when incorporated in written amendments to this MOU.

7. PAYMENT FOR SERVICES

The charges for the financial services to be provided under this agreement shall be $7,428 for FY 2017/18.

The Auditor will provide an estimate of the cost for the next fiscal year no later than March 1. The fee shall be reviewed and adjusted annually by agreement of the parties to reflect the Auditor's actual cost of providing the services. The Auditor will bill LAFCO annually by invoice no later than May 1 of each fiscal year.

8. INDEFINITE TERM: TERMINATION

This agreement is effective July 1, 2017 and will continue in effect and renew automatically each fiscal year. The agreement will continue for each succeeding fiscal year unless amended or terminated. Either party may terminate the agreement on ninety (90) days written notice. If terminated prior to the end of a fiscal year, the annual payment shall be pro-rated and paid within 30 days of termination. This MOU shall be and shall continue in force until amended or terminated.

9. AUTHORITY TO SIGN

The parties executing this agreement personally warrant that they have full authority to enter into this agreement on behalf of the agency for which they are signing, and that said entity will be legally bound to the agreement by their signature hereto.

10. ENTIRE AGREEMENT

This MOU constitutes the entire agreement between the Solano County Auditor-Controller's Office and the Local Agency Formation Commission of Solano County. There are no terms, conditions, or obligation made or entered into by the parties other than those contained herein. This agreement supersedes all prior agreements, terms, and memoranda of understanding between LAFCO and Solano County and between LAFCO and the Auditor for financial services.

For LAFCO:

By: ______________________________ Date: ____________________

Nancy Shopay, Chair Solano LAFCO

For Auditor:

By: ______________________________ Date: ____________________

Simona Padilla-Scholten, Solano County Auditor

Approved as to Form:

By: ______________________________ Date: ____________________

Scott Browne, Legal Counsel, Solano LAFCO

Approved as to Form:

By: ______________________________ Date: ____________________

Solano County Legal Counsel

Attachments:

Exhibit A: LAFCO policies

Exhibit B: Excerpt Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, Section 56381

Solano LAFCO Reserves Policy
Adopted June 14, 2010
Amended June 8, 2015
AMENDED FEBRURARY 27, 2017

GENERAL POLICY

It is the policy of the Commission to carry out its responsibilities by prudently planning ahead for economic downturns and unforeseen costs through its budgetary process.

RESERVES

A. The Commission maintains a contingency reserve fund of not less than 20 percent of annual budgeted appropriations in any given year. This fund is intended for extraordinary, unbudgeted and high priority expenditures authorized by the commission. Transfers from the contingency reserve fund require a budget amendment approved by the commission with four (4) affirmative votes.

B. Fund balance amounts remaining after the close of the fiscal year may be appropriated by LAFCO into the budget of a future year at the discretion of the Commission.

C. The commission may appropriate revenue to establish and maintain a legal defense reserve fund to minimize the cost impact of litigation on the funding cities and the county in any given fiscal year. The Commission may use fund balance, general reserves above the 20% minimum, or other sources of revenue to fund its legal defense reserve.

PURCHASING POLICY

Local Agency Formation Commission of Solano County

Amended August 8, 2016

Policy Delegating Authority to the Executive Officer to Procure Goods and Services

Pursuant to Government Code Section 56380, the Commission shall make its own provision for necessary quarters, equipment, supplies, and services. The associated operating costs are provided for through the Commission's adoption of its annual budget in the manner prescribed in Government Code Section 56381.

It is the intent of the Commission to charge the LAFCo Executive Officer with the responsibility and authority for coordinating and managing the procurement of goods, equipment, and services. The policy of the Commission is:

1. The annual budget shall be considered the controlling plan of expenditures.
2. The Commission may make amendments to its budget at any time during the fiscal year, as it deems appropriate.
3. The Executive Officer is charged with the responsibility and authority for coordinating and managing the procurement of goods, equipment, and services in accordance with applicable laws, regulations, and policies and within the authority conferred by the adopted annual budget.
4. The Executive Officer is authorized to act as the agent for LAFCo in procuring personal property and services.
5. Only the Commission itself or the Executive Officer may commit LAFCo funds for the purchase of any goods, supplies or services for LAFCo use.
6. The Executive Officer is delegated purchasing authority on behalf of LAFCo for goods and supplies not to exceed $5,000 per transaction and purchasing authority for services not to exceed $10,000 aggregate per vendor. The Commission must approve any purchase of goods, supplies, and services that exceed the monetary limits set forth in this paragraph.
7. Claims for purchases using the LAFCO credit card must be approved by the Chair or his/her designee.
8. Payment for goods, supplies or services will be in accordance to the Financial, Payroll Services Agreement entered into between Solano County Auditor Controller's Office and LAFCo.

56381. (a) The commission shall adopt annually, following noticed public hearings, a proposed budget by May 1 and final budget by June 15. At a minimum, the proposed and final budget shall be equal to the budget adopted for the previous fiscal year unless the commission finds that reduced staffing or program costs will nevertheless allow the commission to fulfill the purposes and programs of this chapter. The commission shall transmit its proposed and final budgets to the board of supervisors, to each city, and to each independent special district.

(b) After public hearings, consideration of comments, and adoption of a final budget by the commission pursuant to subdivision (a), the auditor shall apportion the net operating expenses of a commission in the following manner:

(1) (A) In counties in which there is city and independent special district representation on the commission, the county, cities, and independent special districts shall each provide a one-third share of the commission's operational costs.

(B) The cities' share shall be apportioned in proportion to each city's total revenues, as reported in the most recent edition of the Cities Annual Report published by the Controller, as a percentage of the combined city revenues within a county, or by an alternative method approved by a majority of cities representing the majority of the combined cities' populations.

(C) The independent special districts' share shall be apportioned in proportion to each district's total revenues as a percentage of the combined total district revenues within a county. Except as provided in subparagraph (D), an independent special district's total revenue shall be calculated for nonenterprise activities as total revenues for general purpose transactions less intergovernmental revenue and for enterprise activities as total operating and nonoperating revenues less intergovernmental revenue,, as reported in the most recent edition of the "Special Districts Annual Report" published by the Controller, or by an alternative method approved by a majority of the agencies, representing a majority of their combined populations. For the purposes of fulfilling the requirement of this section, a multicounty independent special district shall be required to pay its apportionment in its principal county. It is the intent of the Legislature that no single district or class or type of district shall bear a disproportionate amount of the district share of costs.

(D) (i) For purposes of apportioning costs to a health care district formed pursuant to Division 23 (commencing with Section 32000) of the Health and Safety Code that operates a hospital, a health care district's share, except as provided in clauses (ii) and (iii), shall be apportioned in proportion to each district's net from operations as reported in the most recent edition of the hospital financial disclosure report form published by the Office of Statewide Health Planning and Development, as a percentage of the combined independent special districts' net operating revenues within a county.

(ii) A health care district for which net from operations is a negative number may not be apportioned any share of the commission's operational costs until the fiscal year following positive net from operations, as reported in the most recent edition of the hospital financial disclosure report form published by the Office of Statewide Health Planning and Development.

(iii) A health care district that has filed and is operating under public entity bankruptcy pursuant to federal bankruptcy law, shall not be apportioned any share of the commission's operational costs until the fiscal year following its discharge from bankruptcy.

(iv) As used in this subparagraph "net from operations" means total operating revenue less total operating expenses. (E) Notwithstanding the requirements of subparagraph (C), the independent special districts' share may be apportioned by an alternative method approved by a majority of the districts, representing a majority of the combined populations. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

(F) Notwithstanding the requirements of subparagraph (C), no independent special district shall be apportioned a share of more than 50 percent of the total independent special districts' share of the commission's operational costs, without the consent of the district as otherwise provided in this section. In those counties in which a district's share is limited to 50 percent of the total independent special districts' share of the commission's operational costs, the share of the remaining districts shall be increased on a proportional basis so that the total amount for all districts equals the share apportioned by the auditor to independent special districts.

(2) In counties in which there is no independent special district representation on the commission, the county and its cities shall each provide a one-half share of the commission's operational costs. The cities' share shall be apportioned in the manner described in paragraph (1).

(3) In counties in which there are no cities, the county and its special districts shall each provide a one-half share of the commission's operational costs. The independent special districts' share shall be apportioned in the manner described for cities' apportionment in paragraph (1). If there is no independent special district representation on the commission, the county shall pay all of the commission's operational costs.

(4) Instead of determining apportionment pursuant to paragraph (1), (2), or (3), any alternative method of apportionment of the net operating expenses of the commission may be used if approved by

a majority vote of each of the following: the board of supervisors; a majority of the cities representing a majority of the total population of cities in the county; and the independent special districts representing a majority of the combined total population of independent special districts in the county. However, in no event shall an individual district's apportionment exceed the amount that would be calculated pursuant to subparagraphs (C) and (D) of paragraph (1), or in excess of 50 percent of the total independent special districts' share, without the consent of that district.

(c) After apportioning the costs as required in subdivision (b), the auditor shall request payment from the board of supervisors and from each city and each independent special district no later than July 1 of each year for the amount that entity owes and the actual administrative costs incurred by the auditor in apportioning costs and requesting payment from each entity. If the county, a city, or an independent special district does not remit its required payment within 60 days, the commission may determine an appropriate method of collecting the required payment, including a request to the auditor to collect an equivalent amount from the property tax, or any fee or eligible revenue owed to the county, city, or district. The auditor shall provide written notice to the county, city, or district prior to appropriating a share of the property tax or other revenue to the commission for the payment due the commission pursuant to this section. Any expenses incurred by the commission or the auditor in collecting late payments or successfully challenging nonpayment shall be added to the payment owed to the commission. Between the beginning of the fiscal year and the time the auditor receives payment from each affected city and district, the board of supervisors shall transmit funds to the commission sufficient to cover the first two months of the commission's operating expenses as specified by the commission. When the city and district payments are received by the commission, the county's portion of the commission's annual operating expenses shall be credited with funds already received from the county. If, at the end of the fiscal year, the commission has funds in excess of what it needs, the commission may retain those funds and calculate them into the following fiscal year's budget. If, during the fiscal year, the commission is without adequate funds to operate, the board of supervisors may loan the commission funds. The commission shall appropriate sufficient funds in its budget for the subsequent fiscal year to repay the loan.