



September 1, 2022

TO: LOCSD Board of Directors

FROM: Ron Munds, General Manager
Julian Metcalf, Administrative Services Manager

SUBJECT: Agenda Item 6F- 09/01/2022 Board Meeting
Authorize the Purchase of Payroll Modules for the MIP Accounting System and their Implementation in an Amount Not to Exceed \$31,185.

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DESCRIPTION

This item requests the Board authorize the purchase of payroll software for the existing MIP accounting system and implementation services. The proposed software would replace the current payroll software with one integrated into our accounting system and pose less risk the District. The cumulative cost of the request is not to exceed \$31,185. It also requests that the Board authorize transfer of \$16,815 from the Administrative Reserves for Information Technology Account and the transfer of the budgeted election cost, \$15,000 (GL 7343), to fund the software and system integration costs.

STAFF RECOMMENDATION

This item will be approved along with the Consent Calendar unless it is pulled by a Director for separate consideration. If so, Staff recommends that the Board adopt the following motion:

Motion:

- 1. I Move That the Board Authorize the Purchase of Payroll Modules for the MIP Accounting System and Their Implementation in An Amount Not to Exceed \$31,185; and***
- 2. The Transfer Of \$16,185 from the Administrative Reserves for Information Technology Account and \$15,000 from the Election Cost (GL 7343) to fund the software and system integration costs; and***
- 3. Authorize the General Manager to enter into an agreement with the selected vendor.***

DISCUSSION

History of Current Software

In 2019 staff was notified that the District's then current payroll software, Sage ABRA, would no longer be serviced. In September 2019 the Board authorized the purchase of implementation services to configure a web-based payroll and human resource management system known as Criterion HCM. Due to staff turnover at Criterion, and our contracted support vendor DSD Solutions, and frequent system changes by the software vendor, the Criterion payroll system has caused frequent payroll errors for the District. The errors include, but are not limited to the following examples:

1. Inaccurate tax calculation and reporting.
2. Erroneous and inaccurate leave balances.
3. Deductions miscalculated or erroneously skipped.
4. Problems implementing annual cost of living adjustments.

Because of the payroll system errors, staff have routinely kept separate records to verify the accuracy of the payroll system, and invests significant time verifying and correcting payroll information in the system every pay period. Keeping the current payroll software puts the District's reporting accuracy at risk for taxes and CalPERS reporting requirements, costs the District additional staff time, and is a source of frustration and mistrust among staff.

Recommend Implementing a Solution Integrated with MIP Accounting System

Staff reviewed a variety of payroll solutions and software options, discussed further below, and believe using the payroll modules from our existing accounting software provider, MIP, would be the best solution. The District has used MIP for its accounting software since 2005. MIP specializes in modified fund-based accounting software for the public sector. Staff reports that MIP has been reliable and provided responsive and effective customer support over the years. By purchasing and configuring MIP's payroll and related modules the District would have the benefit of close integration with our financial system and benefit from MIP's proven reliability.

Estimated Costs of ownership and implementing MIP for payroll

The District currently owns licenses for MIP accounting software and hosts it on the District's server. A similar approach would be taken towards the payroll components. The one-time cost to purchase the payroll software components would be between \$8,4700 to \$9,185 depending on the specific configuration. Ongoing maintenance and support costs for the software would be between \$2,296 to \$2,775 depending on configuration. The new ongoing costs will be lower than the \$6,800 currently paid for software cost for subscription pricing, maintenance, and support.

To configure and implement the software there are additional one-time costs. The District received multiple informal quotes that suggest these onetime costs would range between \$12,930 to \$22,000. However, these costs could be lowered if the District staff spends time working with the potential vendors to refine the proposed scope of work and negotiate the price lower. The not to exceed amount \$31,185 is based on the highest informal quoted cost for both the software purchase and implementation services.

Some of the cost could be offset in our budget by \$15,000 that was budgeted in Fund 100 to pay for possible election costs that will not be incurred. The remaining \$16,185 of the estimated maximum onetime costs could be paid from the Administrative Reserves for Information Technology. The reserve was created in 2012 [Resolution 2012-09 attached] to fund "acquisitions and upgrades of softwares, hardwares, and systems that used to provide central services to all funds of the District." The Reserve currently has a balance of \$20,741.40.

Alternative Options Considered

Staff have reviewed a variety of alternative systems that range from web-based software, outsourced payroll services, to on-premise software. While the District is small, it is subject to a variety of payroll and tax rules that vary between employees. Many of these rules differ from other industries, and do not lend themselves to off-the-shelf solutions without significant configuration. It was determined that using most web-based or outsourced solutions would still require a significant investment of ongoing staff time to monitor and verify that all payroll and tax rules were followed appropriately. Staff believes that the best solution is keeping the software in-house and retaining the control over the configuration and processing.

Staff then explored a variety of software vendors in addition to MIP. We determined that none would integrate as well as MIP's own payroll modules with our existing MIP accounting system. Such integration saves time during payroll and accounting processing and reduces the risk of error when transmitting or transcribing data between systems.

FINANCIAL IMPACT

Estimated \$4,025 ongoing annual savings. Estimated \$31,185 onetime maximum costs paid from budget savings and reserves.

Attachment

Resolution 2012-09 - Administrative Reserves for Information Technology was created in 2012