

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

AGENDA OF FEBRUARY 26, 2014

REGULAR MEETING

TO: Don Mette, Chair, and
Members of the El Dorado County Local Agency Formation
Commission

FROM: José C. Henríquez, Executive Officer

**AGENDA ITEM #4C: AMEND POLICIES AND GUIDELINES SECTION 2.7.2(b)
REGARDING EXECUTIVE OFFICER'S SIGNATURE
AUTHORITY**

RECOMMENDATION

Staff recommends that the Commission amend Policies and Guidelines Section 2.7.2(b) to allow for an exception to the Executive Officer's signature authority. Specifically, the narrow exception would increase the signature authority by \$2,000, which is necessary in order to ensure the timely payment of routine health care expenses.

REASON FOR RECOMMENDED ACTION AND BACKGROUND

The Executive Officer's signature authority for disbursements not covered by the Commission's Purchasing Policies and Procedures (Policies and Guidelines Section 2.9) is covered under P&G Section 2.7.2(b). The entire Section 2.7.2 reads:

- (a) The Executive Officer will review all claims and invoices received by LAFCO and may authorize payment as appropriate within the framework and limitations of the budget adopted by the Commission.
- (b) Disbursements in excess of \$5,000 will require two signatures. At the discretion of the Executive Officer, a second signature for disbursements of less than \$5,000 may be required.
- (c) All claims for expenses, other than usual employee costs (salaries and benefits), are reviewed by the Commission (Policy 2.1.8) Expenditure authorization for all expenses shall comply with Policy 2.9. The Executive Officer shall strive to authorize payment of routine claims in an expeditious manner in order to avoid late charges, ensure prompt payment and to qualify for early payment discounts.

(d) An audit of LAFCO's financial statements shall be conducted annually.

For the most part, the \$5,000 limit works well since most routine administrative expenses are below the \$5,000 threshold. The policy is there for either an unusual circumstance (to ensure there is a second set of eyes reviewing a large expense) or to prevent abuse by the administrator.

Unfortunately, staff has encountered a situation where this has become a bit cumbersome in a very specific case. This agency purchases health insurance benefits through the County of El Dorado. Prior to 2014, LAFCO paid for health insurance at the same time it processed payroll, making 26 payments total in any given 12 month period. Each health insurance payment was below the \$5,000 limit so the Executive Officer was able to sign and send the check within a day under the authority granted in Section 2.7.2(c).

Starting in 2013, the County has changed their internal health insurance billing procedures. As it relates to LAFCO, it now gets billed once a month for health insurance for all employees. An attempt to keep the same payment schedule as prior years became cumbersome and difficult to remain "paid up" within each month. The payment schedule was off by a little bit because not all months fell neatly into two pay periods. It was not until the end of the year that payments and debits were equal.

At this time, it is best for all parties to simply pay the County's invoice once a month. The problem is that the total health insurance invoice is over \$6,000. This exceeds the Executive Officer's signature authority relative to Section 2.7.2(b). It is possible for staff to wait to pay the bill until the Commission meeting to get the second signature, but there are two problems with that approach. First, LAFCO would have to wait two weeks to send in its payment because the bill arrives in the first half of the month and the payment is not sent until the second half of the month. This potentially puts LAFCO in violation of Section 2.7.2(c)'s directive to "strive to authorize payment of routine claims in an expeditious manner in order to avoid late charges, ensure prompt payment and to qualify for early payment discounts." Second, in some months the Commission does not meet so staff would have to make arrangements to get the second signature, adding administrative time that should not be there because this is a routine employee expense that should fall under 2.7.2(c), not 2.7.2(b).

Because the Commission expects to incur these Health insurance expenses monthly, staff recommends amending Section 2.7.2(b) to read as follows:

(b) The signature authority allowed by this section is as follows:

- i. Disbursements for the payment of the usual health insurance premiums for LAFCO employees in excess of \$7,000 will require two signatures.
- ii. Disbursements in excess of \$5,000 will require two signatures. At the discretion of the Executive Officer, a second signature for disbursements of less than \$5,000 may be required.