REGULAR MEETING OF THE ADMINISTRATIVE COMMITTEE
OF THE BOARD OF DIRECTORS
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA
12621 E. 166TH STREET, CERRITOS, CALIFORNIA 90703
2:00 P.M., WEDNESDAY, JULY 14, 2004

AGENDA

Each item on the agenda, no matter how described, shall be deemed to include any appropriate motion, whether to adopt a minute motion, resolution, payment of any bill, approval of any matter or action, or any other action. Items listed as "For information" may also be the subject of an "action" taken by the Board or a Committee at the same meeting.

I. DETERMINATION OF QUORUM

II. PUBLIC COMMENT

III. MINUTES OF THE REGULAR ADMINISTRATIVE COMMITTEE MEETING OF JUNE 9, 2004

Recommendation: That the Committee approve the minutes as submitted.

IV. ACWA MEDICAL INSURANCE ELIGIBILITY

Recommendation: Staff recommends that the Administrative Committee provide direction on each of the four issues in the staff report.

V. ADMINISTRATIVE CODE REVISION – BOARD AND COMMITTEE AGENDAS

Recommendation: That the Administrative Committee recommend that the Board adopt the amendments to the Administrative Code, as provided in Exhibit A.

VI. ADMINISTRATIVE CODE REVISIONS

Recommendation: That the Administrative Committee discuss any Administrative Code revisions and recommend that the Board consider adoption of any such revisions as recommended by the Committee.

VII. DEPARTMENT REPORT

Recommendation: For discussion and direction to staff.

VIII. ADJOURNMENT

Posted by Abigail C. Andorn, Deputy Secretary, July 9, 2004.
MINUTES OF JUNE 9, 2004
REGULAR MEETING OF THE ADMINISTRATIVE COMMITTEE
OF THE BOARD OF DIRECTORS
WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

A regular meeting of the Administrative Committee of the Board of Directors of the Water Replenishment District of Southern California was scheduled for June 9, 2004 at 2:07 p.m. at the District Office, 12621 E. 166th Street, Cerritos, California. Chairperson Willard H. Murray, Jr. called the meeting to order and presided thereover and Deputy Secretary Abigail C. Andom recorded the minutes.

I. DETERMINATION OF QUORUM
Attendees included:
Committee: Directors Willard H. Murray, Jr. and Norm Ryan
           Staff: Robb Whitaker, Diana Delker, and District Counsel
                   J. Arnoldo Beltrán of Beltrán and Medina

II. PUBLIC COMMENT
None.

III. MINUTES OF THE REGULAR ADMINISTRATIVE COMMITTEE
     MEETING OF MAY 12, 2004
The minutes were approved as submitted.

IV. ACWA MEDICAL INSURANCE ELIGIBILITY
Manager of Administration and Human Resources Diana Delker stated that the Committee at its previous meeting had deferred action on this item pending new information from District Counsel. She explained that District Counsel was requested to research whether domestic partner medical insurance coverage benefits are mandatory for WRD to provide. Since that last meeting, the WRD has signed a memorandum of understanding (MOU) with the Association of Federal, State, County and Municipal Employees (AFSCME), Chapter 1902.

At the Committee’s request, an explanation of the two different verification systems for determining domestic partner coverage was provided. The two systems were the ACWA Domestic Partnership Verification system and the California State Registry System. Staff had previously recommended adopting the California State Registry System. Further discussion was also held regarding potential additional costs to the District.

The Committee requested District Counsel to provide at the next meeting.
VII. ADMINISTRATIVE CODE REVISIONS
The Committee discussed two proposed changes to the Administrative Code.

Director Murray requested District Counsel to provide to the Committee at the next meeting, proposed language for the Administrative Code that would define that only standing committees of the Board could place items on the Board agenda.

Director Ryan stated that he would like to have a system of verification of dependents for WRD's non-insurance covered medical and dental reimbursements.

Ms. Delker stated that under WRD's medical insurance, ACWA requires certain documentation for verification of dependents. This can be done through a variety of ways such as the voluntary submission of tax returns or a signed affidavit.

Discussion followed. The Committee recommended that the Administrative Code be amended requiring employees and directors who apply for medical reimbursements other than the ACWA defined dependents be required to provide the same verification for medical reimbursements as is required for medical insurance coverage. An Affidavit of Dependency form can be adopted for this verification.

VI. DEPARTMENT REPORT
Ms. Delker gave a brief update on the Administrative Department's activities. She updated the Committee on the document imaging system and the cross-training of employees in the Department.

VII. ADJOURNMENT
With no other business to come before the Committee, the meeting was adjourned at 3:30 p.m.

__________________________
Chairperson

ATTEST:

__________________________
Director
MEMORANDUM

ITEM NO. IV

DATE: JULY 14, 2004
TO: BOARD OF DIRECTORS
FROM: ROBB WHITAKER, GENERAL MANAGER
SUBJECT: ACWA MEDICAL INSURANCE ELIGIBILITY

SUMMARY

The Administrative Committee previously reviewed a number of issues relating to eligibility for medical coverage and medical reimbursement for employees. The issues were raised in our effort to respond to ACWA's announcement of January of this year (See Attachment B) concerning documentation of dependent eligibility on ACWA benefit plans. The Board considered and approved adoption of an "Affidavit of Dependency" form at its June 16, 2004 meeting, but certain issues remained open and were referred back to the Administrative Committee for further review and recommendation.

Medical Coverage Eligibility

WRD currently provides medical coverage for their employees and their "dependents." Under WRD's MOU, a "dependent" is defined by (Article 11 for Medical Coverage) as a by the then current insurance policy while the IRS defines "dependent" under Section 152 of the Internal Revenue Code (See Attachment "A"). A "dependent" under Code Section 152 includes, but is not limited to, a "son or daughter of the taxpayer, a stepson or daughter of the taxpayer, a brother, sister, stepbrother, or stepsister of the taxpayer, the father of mother of the taxpayer, or an ancestor of either..."

Unlike the IRS' definition of "dependent", ACWA limitedly defines a "dependent" as a "spouse, child, or 'domestic partner.’” ACWA's regulations do not include some of the other dependents listed under the IRS code, such as brothers, sisters, or parents (provided additional criteria are met). ACWA further states that in order to receive medical benefits under its plans, the employee must show verification of "dependent" eligibility. For example, if an employee wants medical benefits for his wife, he would have to show verification of his wife being a "dependent" by providing a marriage certificate or accepted form. (See Attachment "B"). Under ACWA's policy the dependent's verification requirement applies to new employees (hired after January 1, 2004) and their eligible dependents, new dependents [spouse/child(ren)/domestic partner] and the removal of a
dependent spouse/child(ren)/domestic partner due to divorce, legal separation or termination of a domestic partnership.

The inclusion of domestic partners posed new questions for the Administrative Committee. During the negotiations with the general bargaining unit, WRD agreed to a recognition of registered domestic partners for bereavement leave purposes only. The issue of medical coverage for domestic partners was not negotiated and presently there is no obligation on the part of the District to provide such coverage simply because ACWA now offers it (or defines dependent to include a domestic partner).

**Fiscal Impact to the WRD If It Were to Cover a Domestic Partner**

Under Article 11 of the MOU, full time employees can select one of three different coverage plans: 1) Blue Cross PPO Prudent Buyer Classic, 2) Blue Cross HMO (California Care), or 3) Kaiser Permanente HMO. ACWA’s current rates are as follows:

<table>
<thead>
<tr>
<th>Medical Plan</th>
<th>Cost for an Employee Per Month</th>
<th>Cost for Employee plus Dependent</th>
<th>Difference in cost between one Employee and an Employee plus Dependant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blue Cross PPO</td>
<td>$354.56/mo</td>
<td>$833.37/mo</td>
<td>$478.81</td>
</tr>
<tr>
<td>Blue Cross HMO</td>
<td>$300.20/mo</td>
<td>$539.40/mo</td>
<td>$239.20</td>
</tr>
<tr>
<td>Kaiser</td>
<td>$273.50/mo</td>
<td>$592.80/mo</td>
<td>$319.50</td>
</tr>
</tbody>
</table>

Depending on the medical plan of an employee who claims a domestic partner, WRD may have to spend anywhere from $239.20 per month, per employee to $478.81 per month, per employee to provide the coverage to a domestic partner.

**Medical Reimbursement**

Article 20 *et seq* of the MOU provides for “Medical Expense Reimbursement.” Currently, the MOU provides that all full-time employees of the District and their dependents, as that term is defined by the Internal Revenue Code (See Attachment A, which provides the definition of ‘dependent’ under said code) and regulations thereunder, are eligible for the medical expense reimbursement program. Since the IRS does not deem a “Domestic Partner” as a “dependent” under the Code, an employee of the WRD is not entitled to reimbursement expenses of his/her “domestic partner.” In order to receive medical reimbursement, an employee must submit WRD’s “Affidavit of Dependency Status” form, which was approved by the WRD’s Board of Directors on July 16, 2004, in addition to an “Explanation of Benefits,” as provided by the MOU. The “Affidavit of Dependency Status” form, has been revised and is attached to this report as Attachment “C.”
Issues for Committee Consideration

In light of the above, the following issues require attention from the Committee:

1. Should the District extend, at District expense, medical coverage to domestic partners of employees?

2. If the answer to Number 1, above is yes, which registration form should be used: ACWA or the State Domestic Partner Registration?

3. Clarify the Medical Expense Reimbursement Program — is it applicable to all employees, not just those covered under the existing MOU? At the time of approval of the MOU, the Board may have intended to limit the change in reimbursement amount to only those employees covered by the MOU or, perhaps, intended to cover all employees. Further action/clarification is requested by the staff to avoid different interpretations.

4. In light of ACWA's policy covering dependents, does the District wish to require affidavits or satisfactory documentation to verify dependent status of all employees or only those hired after January 1, 2004 for the purpose of being eligible for medical expense reimbursement?

STAFF RECOMMENDATION

Staff recommends that the Administration Committee provide direction regarding each of the four issues in the staff report.
To: ACWA Benefit Plan Member Participants

From: Barbara L Duggen, Benefits Administrator

Date: January 2004

SUBJECT: Documentation of Dependent Eligibility on ACWA Benefit Plans

Effective January 2004 ACWA adopted an administrative policy requiring documentation of dependent eligibility or ineligibility on all benefit plans.

This requirement applies to:
- Newly hired employees (on or after January 1, 2004) and their eligible dependent
- New dependents being added to existing employee coverage (spouse/child(ren)/domestic partners)
- Dependent spouse/partner/child(ren) being removed due to divorce/legal separation/termination of domestic partnership

When submitting the enrollment form(s) to add or remove the affected employee and/or dependents, please include a copy of the applicable paperwork as follows:
- spouse: marriage certificate/divorce decree/legal separation papers
- child(ren): birth certificate/legal custody or guardianship papers/placement for adoption papers/court ordered coverage documents
- domestic partner: state registry or notarized ACWA affidavit of domestic partnership/ACWA affidavit of termination of domestic partnership

This policy has been adopted in keeping with non-discriminatory enrollment practices and to protect the plans from including ineligible dependents.

If it is already your employer practice to require this documentation upon enrollment in the benefit plans, and you do not wish to send this documentation to us with every enrollment form, please write us a letter indicating:
- It is already your employer practice to require this documentation prior to enrollment in the plan(s)
- You maintain copies of this documentation within your employer personnel files
- You will permit ACWA HBA or ASC, or its agent, upon reasonable notice, to review and audit the eligibility and relevant records maintained by your agency that may affect premium collection or benefit eligibility under the ACWA plans.

Thank you in advance for your assistance.
§ 152. Dependent defined.

(a) General definition. For purposes of this subtitle, the term 'dependent' means any of the following individuals over half of whose support, for the calendar year in which the taxable year of the taxpayer begins, was received from the taxpayer (or is treated under subsection (c) or (e) as received from the taxpayer):

1. A son or daughter of the taxpayer, or a descendant of either,
2. A stepson or stepdaughter of the taxpayer,
3. A brother, sister, stepbrother, or stepsister of the taxpayer,
4. The father or mother of the taxpayer, or an ancestor of either,
5. A stepfather or stepmother of the taxpayer,
6. A son or daughter of a brother or sister of the taxpayer,
7. A brother or sister of the father or mother of the taxpayer,
8. A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the taxpayer, or
9. An individual (other than an individual who at any time during the taxable year was the spouse, determined without regard to section 7703, of the taxpayer) who, for the taxable year of the taxpayer, has as his principal place of abode the home of the taxpayer and is a member of the taxpayer's household.

(b) Rules relating to general definition. For purposes of this section--

1. The terms 'brother' and 'sister' include a brother or sister by the halfblood.
2. In determining whether any of the relationships specified in subsection (a) or paragraph (1) of this subsection exists, a legally adopted child of an individual (and a child who is a member of an individual's household, if placed with such individual by an authorized
placement agency for legal adoption by such individual), or a foster child of an individual (if such child satisfies the requirements of subsection (a)(9) with respect to such individual), shall be treated as a child of such individual by blood.

(3) The term 'dependent' does not include any individual who is not a citizen or national of the United States unless such individual is a resident of the United States or of a country contiguous to the United States. The preceding sentence shall not exclude from the definition of 'dependent' any child of the taxpayer legally adopted by him, if, for the taxable year of the taxpayer, the child has as his principal place of abode the home of the taxpayer and is a member of the taxpayer's household, and if the taxpayer is a citizen or national of the United States.

(4) A payment to a wife which is includible in the gross income of the wife under section 71 or 682 shall not be treated as a payment by her husband for the support of any dependent.

(5) An individual is not a member of the taxpayer's household if at any time during the taxable year of the taxpayer the relationship between such individual and the taxpayer is in violation of local law.

(c) Multiple support agreements. For purposes of subsection (a), over half of the support of an individual for a calendar year shall be treated as received from the taxpayer if--

(1) no one person contributed over half of such support;

(2) over half of such support was received from persons each of whom, but for the fact that he did not contribute over half of such support, would have been entitled to claim such individual as a dependent for a taxable year beginning in such calendar year;

(3) the taxpayer contributed over 10 percent of such support; and

(4) each person described in paragraph (2) (other than the taxpayer) who contributed over 10 percent of such support files a written declaration (in such manner and form as the Secretary may by regulations prescribe) that he will not claim such individual as a dependent for any taxable year beginning in such calendar year.

(d) Special support test in case of students. For purposes of subsection (a), in the case of any individual who is--

(1) a son, stepson, daughter, or stepdaughter of the taxpayer (within the meaning of this section), and

(2) a student (within the meaning of section 151(c)(4)),

amounts received as scholarships for study at an educational organization described in section 170(b)(1)(A)(ii) shall not be taken into account in determining whether such individual received more than half of his support from the taxpayer.

(e) Support test in case of child of divorced parents, etc.

(1) Custodial parent gets exemption. Except as otherwise provided in this subsection, if--

(A) a child (as defined in section 151(c)(3)) receives over half of his support during the calendar year from his parents--

(i) who are divorced or legally separated under a decree of divorce or separate maintenance,

(ii) who are separated under a written separation agreement, or

(iii) who live apart at all times during the last 6 months of the calendar year, and

(B) such child is in the custody of one or both of his parents for more than one-half of the calendar year,
such child shall be treated, for purposes of subsection (a), as receiving over half of his support during the calendar year from the parent having custody for a greater portion of the calendar year (hereinafter in this subsection referred to as the 'custodial parent').

(2) Exception where custodial parent releases claim to exemption for the year. A child of parents described in paragraph (1) shall be treated as having received over half of his support during a calendar year from the noncustodial parent if--

(A) the custodial parent signs a written declaration (in such manner and form as the Secretary may by regulations prescribe) that such custodial parent will not claim such child as a dependent for any taxable year beginning in such calendar year, and

(B) the noncustodial parent attaches such written declaration to the noncustodial parent's return for the taxable year beginning during such calendar year.

For purposes of this subsection, the term 'noncustodial parent' means the parent who is not the custodial parent.

(3) Exception for multiple-support agreement. This subsection shall not apply in any case where over half of the support of the child is treated as having been received from a taxpayer under the provisions of subsection (c).

(4) Exception for certain pre-1985 instruments.

(A) In general. A child of parents described in paragraph (1) shall be treated as having received over half his support during a calendar year from the noncustodial parent if--

(i) a qualified pre-1985 instrument between the parents applicable to the taxable year beginning in such calendar year provides that the noncustodial parent shall be entitled to any deduction allowable under section 151 for such child, and

(ii) the noncustodial parent provides at least $600 for the support of such child during such calendar year.

For purposes of this subparagraph, amounts expended for the support of a child or children shall be treated as received from the noncustodial parent to the extent that such parent provided amounts for such support.

(B) Qualified pre-1985 instrument. For purposes of this paragraph, the term 'qualified pre-1985 instrument' means any decree of divorce or separate maintenance or written agreement--

(i) which is executed before January 1, 1985,

(ii) which on such date contains the provision described in subparagraph (A)(i), and

(iii) which is not modified on or after such date in a modification which expressly provides that this paragraph shall not apply to such decree or agreement.

(5) Special rule for support received from new spouse of parent. For purposes of this subsection, in the case of the remarriage of a parent, support of a child received from the parent's spouse shall be treated as received from the parent.

(6) Cross reference. For provision treating child as dependent of both parents for purposes of medical expense deduction, see section 213(d)(5).
WATER REPLENISHMENT DISTRICT
OF SOUTHERN CALIFORNIA

Confidential

Affidavit of Dependency Status

The Water Replenishment District (WRD) offers its employees medical insurance benefits as well as a medical reimbursement program. Dependents, as defined by ACWA and the Internal Revenue Code, are eligible for certain types of amounts of coverage. The provisions of the IRS Code are made specifically applicable to the medical reimbursement program.

Under the IRS code, in order to claim a dependency exemption, ALL of the dependency status tests must be met. These include five items: 1) member of the household/relationship test; 2) citizen/resident test; 3) joint return test; 4) gross income test; and the 5) support test. A taxpayer cannot claim a dependency exemption for a person who can be claimed as a dependent on another return.

If the dependent of the employee meets the IRS requirements to qualify as a dependent, then the fair market value of benefits need not be added to the employees' income.

In order to qualify a person as a dependent, you must complete the following affidavit on an annual basis.

AFFIDAVIT

I attest that the following individuals named below meet all of the IRS tests for dependency status as listed below and as a consequence qualify as a dependent for purposes of benefits provided by the District/employer from January 1, 2003 to the current tax year.

Employee:
Employee's Dependents:

IRS DEPENDENCY STATUS TESTS: To qualify as a dependent under the IRS Regulations an individual must meet all of the following five (5) tests.

1. The person must be a relative or have lived in your home as a family member for the entire year.
2. If the person is married and files a joint return they do not qualify as a dependent.

3. The person must be one of the following:
   * A U.S. citizen or resident alien, or
   * A resident of Canada or Mexico, or
   * Your adopted child who is not a U.S. citizen but who lived with you all year in a foreign country.

4. Generally, the person's gross income must be less than $3,500. Gross income does not include nontaxable income, such as welfare benefits or nontaxable social security.

   Income earned by a permanently and totally disabled person for services performed at a sheltered workshop school is generally not included in purposes for the income test. See Publication 501 for details.

5. The general rule is that you had to provide over half of the person's total support in the taxable year. Special rules apply to determine if the support test is met for children of divorced or separated parents. See IRS Publication 501 and IRS instructions for completing Form 1040.

I affirm, under penalty of perjury, that the assertions in this Affidavit are true and correct to the best of my knowledge. Additionally, I agree to hold my employer harmless and will assume full liability for any taxes owing in the event that the above individuals do not qualify as dependents and subsequent income must be added to my income for benefits provided under the benefits program.

Employee
Signature: ____________________________ Date: ____________________________

NOTARY:
DATE: JULY 14, 2004

TO: ADMINISTRATIVE COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: ADMINISTRATIVE CODE REVOLUTION – BOARD AND COMMITTEE AGENDAS

SUMMARY
Ad Hoc Committees have previously recommended matters to be placed on the WRD Board agenda. The Administrative Code generally refers to items being placed on the agenda by Committees. Administrative Code provisions concerning Ad Hoc Committees are relatively new creations.

There has been some discussion by the Administrative Committee about concerns when an Ad Hoc Committee recommends items for inclusion in a Board agenda. In order to provide efficiency in placing items on the agenda, and to streamline the administrative process, the Administrative Committee has discussed this issue and believes that Standing Committees, and not Ad Hoc Committees, should place items on the agenda. For this reason the Administrative Committee now desires to take formal action and recommend certain amendments to the Administrative Code (See Exhibit "A") to provide that only Standing Committees may refer matters for inclusion on Board Agendas.

FISCAL IMPACT
None.

STAFF RECOMMENDATION
That the Administrative Committee recommend that the Board adopt the amendments to the Administrative Code, as provided in Exhibit A.
EXHIBIT “A”

4. BOARD AND COMMITTEE AGENDAS

4.1 Committees
In addition to any requirements imposed by applicable law, items may be listed on
the agenda of a Committee of the District in one of the following ways: by
decision of the Board; by decision of the president; by decision of the Chair of a
particular Committee.

4.2 Board
1. Before an item is placed on the agenda for a regularly scheduled Board meeting, a
Standing Committee, subject to two exceptions, shall first review the item. First,
the President may direct that the item be placed on the Board agenda without a
Standing Committee reviewing or taking final action on the item. Second, the
Board may place the item on a Board agenda in the manner permitted by the
Brown Act or any other applicable law. If an item falls within the scope of more
than one Standing Committee, the General Manager shall decide which Standing
Committee shall review the item, unless directed otherwise by the President.

2. An item shall be placed on the Board agenda when a Standing Committee
unanimously votes to place the item on the Board Agenda, even though the
Standing Committee does not adopt a recommendation as to the substantive
action that the Board should take on the item.

3. When a Standing Committee either (i) unanimously votes to not place an item on
the Board agenda, (ii) votes in a tie as to whether to place an item on the Board
agenda, or (iii) considers the item at four or more Standing Committee meetings
without voting as to whether to place the item on the Board agenda, the General
Manager shall report such an event at the next regularly scheduled Board meeting.
At that Board meeting, the item shall be placed on the agenda for the following
regularly scheduled Board meeting only upon majority vote of the Board or
direction of the President.
DATE: JULY 14, 2004

TO: ADMINISTRATIVE COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: ADMINISTRATIVE CODE REVISIONS

SUMMARY
Changes to the Administrative Code will be discussed.

FISCAL IMPACT
None.

STAFF RECOMMENDATION
That the Administrative Committee discuss any Administrative Code revisions and recommend that the Board consider adoption of any such revisions as recommended by the Committee.
DATE: JULY 14, 2004

TO: ADMINISTRATIVE COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: DEPARTMENT REPORT

SUMMARY
At the June Administrative Committee meeting, the Committee received an oral report on activities related to the Administrative Department. Staff is seeking input from the Committee regarding whether or not the Committee would like to continue to receive monthly reports on department activities, and if so, what kind of information would the Committee like to receive.

FISCAL IMPACT
None.

STAFF RECOMMENDATION
For discussion and direction to staff.