

**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, NOVEMBER 10, 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 OCTOBER 13, 2004

Recommendation: Approve the minutes as submitted.

IV. ADMINISTRATIVE CODE REVISION – PROCUREMENT POLICY ON SMALL BUSINESS ENTERPRISE OUTREACH PROGRAM

Recommendation: Recommend the Board approve the revised SBE program.

V. STATE AUDIT UPDATE

Recommendation: (1) Concur with Finance Committee Recommendation #1 and direct staff to bring the item to the Board for consideration at the December 5, 2004 meeting.

(2) Concur with the Finance Committee Recommendation #2 and direct staff to bring the item to the Board for consideration at the December 5, 2004 meeting.

(3) Discuss Finance Committee Recommendation #3 and provide direction to staff.

VI. WRD RECORDS MANAGEMENT PROGRAM

Recommendation: For information.

VII. FLEXIBLE SPENDING ACCOUNT PROGRAM

Recommendation: For information.

VIII. DEPARTMENT REPORT

Recommendation: For information.

IX. ADJOURNMENT

Posted by Abigail C. Andom, Deputy Secretary, November 4, 2004.

UNAPPROVED
MINUTES

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MINUTES

**MINUTES OF OCTOBER 13, 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 October 13, 2004 at 2:17 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 Administrative Assistant Sheryll Petty recorded the minutes.

I. DETERMINATION OF QUORUM

Attendees included:

Committee: Directors Willard H. Murray, Jr. and Norm Ryan
Staff: Robb Whitaker, Tina Graham, Scott Ota, Special
Legal Counsel Kevin Collins and District Counsel J.
Arnoldo Beltran

The agenda items were taken out of order.

X. CLOSED SESSION

Labor Negotiations per Government Code §54957.6

Negotiator: Robb Whitaker

Bargaining Group: Management Unit and Employees Association of the
WRD, AFSCME, AFL-CIO, Chapter 1902

Discussion: Benefits

The Committee went into closed session. The Committee reconvened in open session.

District Counsel Beltran stated that a presentation was provided, consensus was reached, further instructions were provided to the negotiator, and terms will be presented to the bargaining groups.

**IV. ADMINISTRATIVE CODE REVISION – PROCUREMENT POLICY
ON SMALL BUSINESS ENTERPRISE OUTREACH PROGRAM**

Special Legal Counsel Kevin Collins stated the Administrative Committee met on September 8, 2004 to discuss possible revisions to the District's Small Business Enterprise ("SBE") Outreach Program. At the conclusion of its meeting, the Committee recommended revisions to the SBE program for Board approval. At the October 6, 2004 Board meeting, the Board referred the revised policy back to the Administrative Committee for consideration of whether to add to the proposed revised program an SBE subcontractor participation component that is consistent with, and permissible under, Public Contract Code §2002.

Mr. Collins stated that two options are available to the Committee regarding the adoption of an SBE program designed to promote SBE subcontractor participation: (1) give bidders who meet a specified SBE subcontracting participation goal credit of up to 5%, and (2) require all bidders to either meet an SBE subcontractor participation goal, or if they do not meet the goal, to demonstrate that they made good faith efforts to do so. Mr. Collins also recommended that Counsel consult with District staff regarding selection and design of the program to make it consistent with the District's resources and needs.

Director Murray stated he thought the credit was a good idea. Director Ryan stated he would like to either have the 5% credit or require the SBE to meet a 15% self performance requirement, but not both.

Discussion followed. The Committee recommended the following: (1) the prime bidder or contractor must be a certified SBE or subcontract 20% of the work to an SBE to be eligible for the 5% credit, and (2) Counsel will consult with District staff regarding the proposed policy. In addition, the Committee further recommended that bidders be required to subcontract 20% of the work or demonstrate good faith efforts to utilize SBEs.

The Committee recommended that this item be agendaized for the November 10th Administrative Committee meeting.

II. PUBLIC COMMENT

None.

III. MINUTES OF THE REGULAR ADMINISTRATIVE COMMITTEE MEETING OF SEPTEMBER 8, 2004.

The minutes were approved as submitted.

V. HOURS AND DAYS OF WORK

Director Murray stated that he would like to propose changing the District's existing 9/80 work schedule to a straight 5/40 work week schedule. He noted the General Manager could amend an individual staff person's schedule due to a special hardship.

Chief Hydrogeologist Ted Johnson responded both management and staff are in favor of continuing the current 9/80 work schedule. After three years on the 9/80 schedule, it has been the most successful for the District with a full staff on hand every other Friday. Mr. Johnson said that benefits to the District include less absenteeism and more individual productivity in a nine hour day. He concluded noting the 9/80 work schedule is a part of the current

MOU. Page 30, Article 39 of the MOU states: "The District will maintain a 9/80 schedule for its employees."

Manager of Administration and Human Resources Tina Graham stated the Board would have to reopen the negotiating process with the Union to change the work schedule to a 5/40.

Director Ryan read Article 41, Section 41.1 (i) of the Memorandum of Understanding between the WRD and the Employees Association which outlines Management Rights in regard to the District's work schedule.

Director Murray asked for input from Ms. Graham and General Manager Robb Whitaker in regard to the change to a 5/40 work schedule.

Ms. Graham stated that the 9/80 work schedule is one of the most coveted benefits there is because staff can better balance their work needs with their life needs. She further noted that elimination of the 9/80 work schedule would have a negative impact on morale.

General Manager Whitaker felt that the 9/80 work schedule was working very well and asked what the concerns of the committee were.

Director Murray stated the accessibility of staff and efficiency were his concerns. General Manager Whitaker responded that even if staff worked a five day week, certain staff is out of the office on any given day so accessibility of staff would not be increased by staffing the office every Friday.

Director Ryan asked if the District has the capability of automatically dialing or forwarding calls to a cell phone on the Fridays that staff is not here. Mr. Whitaker responded affirmatively noting that call forwarding is available.

Director Ryan stated that he thought productivity and efficiency were decreased as a result of having a 9/80 schedule.

Director Murray made a motion to have the District's Legal Counsel interpret the meaning of Article 39 in the MOU and to advise if the work schedule can be changed to a 5/40 work schedule. Director Ryan seconded the motion.

Director Murray will advise which Board of Directors meeting the motion to change to a 5/40 work schedule will be presented.

VI. COMMUNICATION ALLOWANCE

Ms. Graham provided information related to actual and estimated monthly communication expenditures for the Directors. Director Murray observed that it is fairly apparent that the current \$200 monthly allowance is not enough to cover expenses. It was noted that the Administration Code describes exactly what the communication allowance should cover.

Director Murray tabled the increase in the communication allowance and will advise staff when it will go to the Board of Directors.

VII. EXPENSE REIMBURSEMENTS – RECEIPTS

Director Murray stated that neither the State Assembly/Senate nor the MWD require a receipt for any expenditure under \$25.00. Director Ryan added that, at the State level, if a receipt less than \$25.00 cannot be recovered, but the expense is noted on the credit card statement, the expense will be reimbursed even though there is no receipt. The WRD requires both the itemized receipt along with the credit card bill.

Mr. Scott Ota, Chief Financial Officer, stated that the State Auditors recommended that we track expenses more closely.

Director Murray moved that the Administration Code be changed to not require a receipt for those expenditures under \$25.00 and that a form be developed that will be sufficient documentation for the Finance Committee.

General Manager Whitaker wants the no receipt for expenditures under \$25.00 to apply to staff for travel expenditures only. Ms. Graham will develop the proposed language for changes to the Administration Code and will present the item to the Board of Directors at the November 3, 2004 meeting.

VIII. ADMINISTRATIVE CODE REVISIONS – IDENTIFICATION OF ISSUES FOR FUTURE INCLUSION IN COMMITTEE AGENDAS

Director Murray stated that Chief Counsel Beltran drafted the revised language for this agenda item. Directors Murray and Ryan agreed that they did not find the new language suitable and directed staff to revise it.

The committee did not have anything further to discuss related to this item.

IX. DEPARTMENT REPORT

As requested by President Murray, Ms. Graham provided the Committee with the dimensions of the Central and West Basin Municipal Water Districts' boardroom and the WRD boardroom.

Ms. Graham noted that Ms. Andom, Deputy Secretary, is working on a records management program and will present it to the Committee at its November meeting.

Ms. Graham provided the Committee with a prototype lapel pin that would be presented to the directors in recognition of their service to the district. Simulated precious stones could be added to the pins symbolizing directors' terms of office.

Director Murray asked about the Employee Recognition Program. Ms. Graham responded that the program is being developed by the managers and will recognize employees who have completed one, five, ten, fifteen, etc. years of employment.

The District is looking into setting up a Flexible Spending Account program and Ms. Wareham, Senior Administrative Assistant will present a report to the Committee in November.

Ms. Graham concluded by noting that the West and Central Basin Municipal Water Districts will share the results of a Health Benefit Study they are undergoing. She will present the study to the Committee when it is available.

X. ADJOURNMENT

With no other business to come before the Committee, the meeting was adjourned at 4:36.

Chairperson

ATTEST:

Director



MEMORANDUM

ITEM NO. IV

Prepared by: Tina Graham

Reviewed by:

DATE: NOVEMBER 10, 2004

TO: ADMINISTRATIVE COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: ADMINISTRATIVE CODE REVISION – PROCUREMENT POLICY ON SMALL BUSINESS ENTERPRISE OUTREACH PROGRAM

SUMMARY

At the October 13 Administrative Committee meeting, the Committee discussed options for including a SBE subcontractor participation requirement in the SBE program. Special Counsel Kevin Collins has revised the program and will attend the meeting to answer any questions the Committee may have.

FISCAL IMPACT

Unknown at this time.

STAFF RECOMMENDATION

Recommend the Board approve the revised SBE program.

MEMORANDUM

TO: Administrative Committee of the Board of Directors of the Water Replenishment District of Southern California

FROM: Kevin Collins, Esq.

DATE: November 10, 2004

RE: Small Business Enterprise Outreach Program

OUR FILE NO.: 2347-024

CC: Robb Whitaker, Tina Graham, Mario Garcia, Ed Casey, Esq.

This Memorandum follows the Committee's meeting on October 13, 2004 at which it directed counsel to incorporate into the District's proposed revised Small Business Enterprise program a subcontractor participation requirement. Attached to this Memorandum as Exhibit A is the newly revised Small Business Enterprise program.

As indicated in previous memoranda to the Committee and the Board, the attached Small Business Enterprise Program is intended to comply with Public Contract Code § 2002, which defines the methods local public agencies like the District may use to facilitate contract participation by small business enterprises. A copy of Public Contract Code § 2002 is attached for the Committee's convenience.

* * * * *

EXHIBIT A

Proposed Revised Small Business Enterprise Outreach Program

Small Business Enterprise Outreach Program

- (a) It is the District's policy to encourage and promote broad-based participation in its contracting activities by all potential participants so as to maximize competition for District Contracts, to attract the greatest number of qualified bidders and to stimulate participation by responsible bidders who might otherwise be prevented from participating in the District's procurement activities. The District's Small Business Enterprise Outreach Program is adopted pursuant to Public Contract Code Section 2002.
- (b) For purposes of this section, a Small Business Enterprise ("SBE") shall mean a small business enterprise certified as such by any branch of the Federal Government, the State of California, or by any other Public Entity within the State of California as defined by California Public Contract Code Section 1100.
- (c) **Preference for Small Business Enterprises.** Notwithstanding the requirement that the District award Construction Contracts to the lowest responsive and responsible bidder, for Construction Contracts greater than \$100,000, the District shall provide a preference for purposes of evaluating bids for Construction Contracts to prime bidders who are SBE's. The preference shall be in the amount five percent (5%) of the bid submitted by the otherwise lowest responsive and responsible bidder.
 - (1) To be eligible for the preference provided by this section, bidders must be certified as SBE's at the time their bid is submitted and must include with their bid a copy of their certification or other appropriate documentary evidence by the public entity by whom they are certified.

- (2) If a bidder claims SBE status but, before a contract is awarded, is found by the District not to qualify as an SBE, the District may, in its sole discretion, either reject the bid as non-responsive or accept and evaluate the bid without the SBE preference. If a bidder claims SBE status but, after a contract is awarded, the District determines the bidder did not qualify as an SBE at the time it submitted its bid, the bidder shall pay to the District as liquidated damages the amount by which its bid exceeded the bid submitted by the otherwise lowest responsive and responsible bidder, if any.

- (d) SBE Subcontractor Participation Goal. Notwithstanding the requirement that the District award Construction Contracts to the lowest responsive and responsible bidder, all bidders for Construction Contracts greater than \$100,000 must subcontract not less than 20% of their bid amount to SBE's or demonstrate that they made good faith efforts to do so. The District will reject as non-responsive bids by Bidders who fail to meet the SBE Subcontractor Participation Goal and who fail demonstrate that they made good faith efforts to do so.
 - (1) The term "subcontractor" for purposes of the SBE Subcontractor Participation Goal shall have the meaning set forth at Public Contract Code Section 4113 but shall also include suppliers.
 - (2) The term "Good Faith Efforts" shall refer to objective criteria formulated and applied uniformly and incorporated in applicable District Contract Solicitations by District staff in consultation with District counsel which shall include: (i) evidence that the bidder has identified portions of the work that may be subcontracted to SBE's, (ii) evidence that the bidder has contacted SBE certifying agencies to identify potential SBE subcontractors the portions of the work to be subcontracted, (iii) evidence that the bidder has sent written invitations to bid to subcontractors so identified, and (iv)

evidence that the bidder has attempted on at least two occasions to follow up its written invitations to bid and the results of those attempts.

- (3) Bidders who are certified as SBE's at the time their bid is submitted are exempt from the SBE subcontractor participation requirement provided that they include with their bid a copy of their certification or other appropriate documentary evidence by the public entity by whom they are certified.

- (e) Before advertising for bids, the Board may modify the preference or subcontractor participation requirement created by this section for particular procurements, or exempt particular procurements from the SBE preference or subcontractor participation requirement, if the Board determines that it would be in the District's best interest to do so based on the nature of the services, equipment or materials to be procured or other relevant factors.

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EXHIBIT B

California Public Contract Code Section 2002

PUBLIC CONTRACT CODE
DIVISION 2. General Provisions
PART 1. Administrative Provisions
CHAPTER 2. Responsive Bidders

§ 2002. Facilitation of contract awards to small businesses by local agency

- (a) Notwithstanding any other provision of law requiring a local agency to award contracts to the lowest responsible bidder, any local agency may do any of the following in facilitating contract awards to small businesses:
 - (1) Provide for a small business preference in construction, the procurement of goods, or the delivery of services where responsibility and quality are equal. The preference to a small business shall be up to 5 percent of the lowest responsible bidder meeting specifications.
 - (2) Establish a subcontracting participation goal for small businesses on contracts and grant a preference, up to a maximum of 5 percent, to those bidders who meet the goal.
 - (3) Require bidders to make good faith efforts to meet a subcontracting participation goal for small business contracts. Bidders that fail to meet the goal shall demonstrate that they made good faith efforts to utilize small business contractors.

- (b) The term "small business," as used in this section, shall be defined by each local agency.

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MEMORANDUM

ITEM NO. V

Prepared by: Tina Graham

Reviewed by: Scott M. Ota

DATE: NOVEMBER 10, 2004
TO: ADMINISTRATIVE COMMITTEE
FROM: ROBB WHITAKER, GENERAL MANAGER
SUBJECT: STATE AUDIT UPDATE

SUMMARY

On August 10, 2004, staff presented proposed WRD responses to State Audit Recommendations #10, #12 and #13 to the Finance Committee. The Finance Committee discussed staff's proposed responses and directed staff to present the responses to the Administrative Committee for consideration.

The Administrative Committee reviewed the proposed responses at its September 8, 2004 meeting. Due to the change in a Director assigned to the Finance Committee, the Administrative Committee referred the item back to the Finance Committee in order to give the new Finance Committee member a chance to review the proposed responses.

At the October 12, 2004 meeting, the Finance Committee once again reviewed WRD proposed responses to State Audit Recommendations #10, #12 and #13 and directed staff to present the following items to the Administrative Committee for consideration:

State Audit Recommendation #10:

The State Auditors recommend WRD amend its Administrative Code to require board members and staff to consistently use the business expense form to document the public purpose of any out-of-pocket expenses.

Finance Committee Recommendation #1:

The Finance Committee recommends the following language be added to Section 13.2, Reimbursable Expenses:

"Claims shall be submitted on forms supplied by the District. Such forms shall include a description of the expense, names (if appropriate), date incurred, and a description of the business purpose of the expense."

State Audit Recommendation #12:

The State Auditors recommend WRD reassess its use of public funds for such purposes as award dinners, catered meals, airfares, and lodging for local conferences, and revise its Administrative Code to limit or prohibit such costs.

Finance Committee Recommendation #2:

The Finance Committee reassessed the District's use of public funds for such purposes noted in State Audit Recommendation #12 and found that such expenditures are appropriate and serve a public purpose. The Finance Committee also found that Section 13.2 of the Administrative Code appropriately addresses these issues and no revisions were necessary.

Section 13.2.2. Reimbursable Expenses

1. All expenses shall be reasonable and necessary.
2. The most economical mode and class of transportation consistent with scheduling requirements shall be utilized. In the event a more expensive mode or class of transportation is utilized, the reimbursable amount shall be limited to the cost of the most economical mode or class of transportation available, not to exceed the cost of coach airfare.
3. Expenditure for food and lodging shall be moderate and reasonable.

Section 13.2.6. Lodging

"For the purpose of lodging, "local area" means a 40-mile radius from either one's residence or the District office, whichever is further.

Within the discretion of the Board President, a Director may stay overnight at a site less than a 40-mile radius from the residence or the District office. If the Director desiring to stay overnight at such a site is the Board President, that Director shall obtain approval from the Board Treasurer. Otherwise, no requests for lodging or reimbursement claims for expenses incurred within the "local area" shall be approved by the Finance Committee.

Expenses will be allowed for adequate and reasonably priced lodging when necessary for the conduct of District business. When lodging is required in conjunction with a conference or similar function, whenever possible, lodging shall be at the conference location at the reduced rate provided by the conference, if applicable. In all cases, reasonable attempts shall be made to obtain reduced rates for lodging (i.e., government rates for domestic lodging as published by the U.S. General Services Administration.)

Unless otherwise authorized by the Finance Committee, no reimbursement will be approved for lodging for greater than one night before or for any nights after an event outside of the "local area."

State Audit Recommendation #13: *The State Auditors recommended WRD amend its Administrative Code to provide better guidance on reimbursable travel expenses, including a limit on the number of conferences directors and staff may attend, and a process for justifying exceptions to that limit.*

Finance Committee Recommendation #3:

The Finance Committee reviewed this item and has a split recommendation.

Director Acosta recommended Section 13.2, Reimbursable Expenses, of the Administrative Code be revised to include the following language:

“Travel for directors and staff to conferences shall be limited to 12 conferences per year. Once a director or staff has been certified by attending a complete series of conferences sponsored by an organization, then only a refresher course may be attended once every two years.

When conferences are held at multiple sites, and when scheduling permits, directors and staff shall choose the site that will result in the lowest cost to the District.

Director Ryan was not in favor of the recommendation proposed by Director Acosta because he thought it was too restrictive.

FISCAL IMPACT

Unknown.

STAFF RECOMMENDATION

- (1) Concur with Finance Committee Recommendation #1 and direct staff to bring the item to the Board for consideration at the December 5, 2004 meeting.
- (2) Concur with Finance Committee Recommendation #2 and direct staff to bring the item to the Board for consideration at the December 5, 2004 meeting.
- (3) Discuss Finance Committee Recommendation #3 and provide direction to staff.



MEMORANDUM

ITEM NO. VI

Prepared by: Abbie Andom

Reviewed by: Tina Graham

DATE: NOVEMBER 10, 2004
TO: ADMINISTRATIVE COMMITTEE
FROM: ROBB WHITAKER, GENERAL MANAGER
SUBJECT: WRD RECORDS MANAGEMENT PROGRAM

SUMMARY

Approximately one year ago the District began scanning its documents. In anticipation of the completion of the initial round of scanning and of the District's move to its new building, the Administration Department has embarked on a project that will create a Records Management Program for the District. The project will entail establishing procedures to ensure new documents are scanned in a timely manner and records are destroyed in accordance with the District's Records Retention Schedule. In addition, the program will identify at least one individual in each department to assist with the implementation of the program, and an individual will be identified to oversee the Records Management Program for the District.

Initial efforts to develop the program will start with the Administrative Department and will include the following:

- Review sections of the Administrative Code relating to the records retention schedule adopted by the Board at its December 20, 2001 meeting.
- Review text of AB 474 (summary provided in Attachment A) and compare to the records retention schedule in the Administrative Code.
- Assign the Deputy Secretary as the records program coordinator for the Administrative Department.
- Provide document imaging training for Administrative Department staff.
- Begin inventorying Administrative Department "vital" records. If it's in the best interest of the District, new records retention schedules will be formulated.
- Establish procedures to manage each type of record.
- Formulate "future" storage locations for each record.

Once the initial efforts are completed for the department's vital records, staff will verify the accuracy of scanned documents, cause new documents to be scanned, and will box, seal and label documents for either destruction or storage.

The Administrative Committee will receive regular updates regarding the progress of the program and no documents will be destroyed until after there is Board approval for the program.

Once the program is established for the Administrative Department documents, a program will be established for each department, beginning with the Finance Department.

Staff will provide an overview of the program to the Administrative Committee at the meeting and will discuss how AB 474 could affect the District's current records retention schedule.

FISCAL IMPACT

Significant staff time will be required to establish the program. Once established, on-going program implementation will be moderate and the need for physical storage space for documents will be less.

STAFF RECOMMENDATION

For information.

Attachment A

AB 474

Section 60201 of the Government Code was amended to:

1. The legislative body of a district may destroy or dispose of any records that is not expressly required by law to be filed and preserved through either of the following procedures:
 - (a) adopt a resolution finding that destruction or disposition of this category of records will not adversely affect any interest of the district or of the public, and maintain a list, by category, of the types of records destroyed or disposed of that reasonably identifies the information contained in the records of each category
 - (b) by resolution, adopt and comply with a record retention schedule that complies with guidelines provided by the Secretary of State pursuant to Section 12236, that classifies all of the District's records by category, and that, establishes a standard protocol for destruction or disposition of records.
2. A district is not required to photograph, reproduce, microfilm, or make a copy of any record that is destroyed or disposed of pursuant to this section.
3. Identified 12 records that are not to be disposed of or destroyed, e.g., minutes of any meeting of the legislative body of the district; records relating to the formation, change of organization or reorganization of the district; ordinance adopted by the district, pending claim or litigation or any settlement or disposition of litigation within the past two years, etc.

Section 60203 was amended to:

1. Notwithstanding Section 60201, the legislative body of a district may authorize the destruction of any record, paper, or document that is not expressly required by law to be filed and preserved if all of the following conditions are complied with:
 - (a) The record is photographed, microphotographed, or electronically reproduced in a trusted system that does not permit additions, deletions or changes to the original document,
 - (b) The device used to reproduce the record is one that accurately reproduces the original in all details,
 - (c) The photograph or reproductions are placed in conveniently accessible files and provision made for preserving, examining, and using the file.
2. Every reproduction shall be deemed to be an original record and a transcript or certified copy shall be deemed to be that of the original.



MEMORANDUM

ITEM NO. VII

Prepared by: Pam Wareham

Reviewed by: Tina Graham

DATE: NOVEMBER 10, 2004

TO: ADMINISTRATIVE COMMITTEE

FROM: ROBB WHITAKER, GENERAL MANAGER

SUBJECT: FLEXIBLE SPENDING ACCOUNT PROGRAM

SUMMARY

Article 24 of the MOU requires the District to establish and maintain Flexible Spending Accounts for its employees.

The Flexible Spending Account (FSA)/Dependent Care Assistance Programs(DCAP) are regulated by Internal Revenue Code Section 125 Cafeteria Plan. Such plans allow employees the option of using pre-tax dollars to pay for medical expenses not reimbursed by their insurance carriers, to purchase most over-the-counter (OTC) drugs used for treatment of an existing condition and to pay child/dependent care expenses.

With a Flexible Spending Account program, employees are given a choice to "redirect" part of their salary to the plan. Each employee then uses the 'redirected' salary to purchase allowable services or products. The primary benefit for employees is they are not taxed on the salary they redirect into the plan, nor are they taxed when they receive expense reimbursements through the plan.

The employer similarly benefits through a Flexible Spending Account program. Employers do not pay FICA Social Security and Medicare taxes on the gross amount of salary redirections made by their employees. In addition, workers' compensation premiums are avoided on the amount of salary redirections.

Staff will present additional information to the Administrative Committee at the meeting.

FISCAL IMPACT

None.

STAFF RECOMMENDATION

For information.



MEMORANDUM

ITEM NO. VIII

Prepared by: Abbie Andom

Reviewed by: Tina Graham

DATE: NOVEMBER 10, 2004
TO: ADMINISTRATIVE COMMITTEE
FROM: ROBB WHITAKER, GENERAL MANAGER
SUBJECT: DEPARTMENT REPORT

SUMMARY

Staff will provide an update of department activities.

FISCAL IMPACT

None.

STAFF RECOMMENDATION

For information.