



BOARD OF DIRECTORS REPORT

MEETING DATE: OCTOBER 20, 2026

AGENDA ITEM #: 8

TYPE: ACTION ITEM

PREPARED BY: HUMAN RESOURCES AND RISK MANAGER, DAVID SERRANO

REVIEWED BY: GENERAL MANAGER, JERRY ESTRADA

SUBJECT: UPDATED CAFETERIA PLAN – IRS CODE 125

RECOMMENDATION:

Staff recommends the Board of Directors adopt and approve the District's IRS 125 Plan document, and authorize the General Manager to attest to the formal adoption of this item.

DISCUSSION:

Internal Revenue Code Section 125 authorizes employers to adopt a plan authorizing employees to pay for health benefits premiums, flexible spending accounts, and dependent care spending accounts, on a pre-tax basis. The District has offered this opportunity since 1998. The attached plan authorizes employees to pay for medical, dental and vision premiums, and utilize flexible spending accounts (FSA) and dependent care spending accounts (DCSA) on a pre-tax basis, and authorizes the District to withhold employee premium only portion (POP), FSA, and DCSA on a pre-tax basis.

The benefit of this plan is to allow employees to pay for benefits on a pre-tax basis, thus lowering the employee's tax burden, while simultaneously providing the District (employer) with an optional fringe benefit as part of the total compensation package (without imposing a cost on the District).

The plan document, on file with the General Manager's Office and Human Resources Office, reflects any current changes, since the United States Government and IRS authorized section 125 plans in 1986. Periodically, the plan will undergo review for continued compliance, and be amended, if necessary, at any given time. The plan has undergone review for continued compliance by General Counsel, and our medical, vision, dental, FSA, and DCSA plans have been confirmed within the document.