

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: AMY REEVE, DIRECTOR OF HUMAN RESOURCES
SUBJECT: AMEND THE FISCAL YEAR 2021-22 ADOPTED BUDGET
TO APPROPRIATE FUND BALANCE TO ESTABLISH
FLEXIBLE SPENDING ACCOUNT RESERVE

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Human Resources Department that the Council, by resolution, amend the Fiscal Year (FY) 2021-22 adopted budget to appropriate \$77,000 from the General Fund reserves to establish an account from which to pay Flexible Spending Account (FSA) claims.

EXECUTIVE SUMMARY

Effective January 1, 2022, the City will have a new benefits administrator, Self Insured Services Company, Inc. dba Benefit Coordinators Corporation (BCC). As part of this vendor change, the funding process for the Flexible Spending Accounts (FSA) will require the establishment of a new City revenue and expenditure account, and a budget adjustment to add appropriations and offsetting revenue in the new account. This budget adjustment will provide funding for last half of FY 2021-22; subsequent years will be budgeted through the City's normal budget process.

BACKGROUND

The City offers both a Health and a Dependent Care (DCAP) FSA, which allow employees to set aside up to \$2,750 pretax in 2021 in a Health FSA and up to \$5,000 pretax in 2021 in a Dependent Care FSA. The IRS establishes rules for FSAs, and as the City's Benefits Administrator, BCC will oversee the reimbursement process and adjudicate claims accordingly on behalf of the City in 2022.

Under the current FSA process, Payroll sends FSA funds to the City's current benefits administrator (Workterra) each pay period and those funds remain with Workterra where claims are paid. Under the new process, the FSA funds will remain held by the City and eligible claims paid out as incurred.

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Page 2 of 3

The funding change requires the establishment of a new City revenue and expenditure account where FSA payroll deductions will be deposited each pay period and where FSA claims will be paid. BCC recommends funding the account with 30% of the annual elected Health FSA deferrals and 30% of the monthly elected DCAP deferrals, which is \$77,000 based on the City's 2021 Health FSA enrollment.

ANALYSIS

The change in vendors, and subsequent change in FSA funding procedures requires changes to the City's budget. With claims paid by the City beginning in January, there must be a budget appropriation in the account from which the claims will be paid, and an equal amount of revenue recognized from payroll deductions. Staff estimates payments for the remainder of the year to be approximately \$77,000. An annual budget will be established for the FY 2022-23 budget and subsequent budgets.

FISCAL IMPACT

There is no impact to the General Fund because of this item. The budgeted expenditure is offset by revenue from payroll deductions.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guidelines Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution

CONTACT

Amy Reeve; Director of Human Resources, areeve@srcity.org, 707-543-3070