

## **County of Santa Cruz and RTC Agreement Regarding 2006 RTC Flexible Spending Accounts**

The County of Santa Cruz (the County) and the Santa Cruz County Regional Transportation Commission (the RTC) agree to the following conditions regarding the 2006 Flexible Spending Account program:

- Flexible Spending Account (FSA) contributions can be made by the County employees assigned to duties with the RTC only so long as each employee remains employed by the County. Upon termination of the agreement between the County and the RTC through which the County provides staffing for the RTC (the MOU), any employee separating from employment with the County and transitioning to employment with the RTC shall cease making FSA contributions through the County. (IRS Tax Code only allows employees to participate in this program by virtue of their employment.)
- County employees transitioning to employment with the RTC may have the option to elect COBRA and continue to pay the monthly COBRA and administration fees to continue participation in the FSA program.
- FSA reimbursements for a County employee transitioning to employment with the RTC can only go beyond the period during which contributions were made to the County if an RTC employee is eligible for and elects COBRA after separation from the County and agrees to continue to pay the monthly COBRA and administration fees associated with the program.
- A County employee who has transitioned to employment with the RTC may stop his or her COBRA coverage at the beginning of any month. It is the responsibility of the RTC employee to make arrangements to begin and end COBRA coverage. Participants must submit their eligible expenses within 30 days after the day COBRA ends.
- For a County employee who has transitioned to employment with the RTC and has maintained COBRA coverage through December 31, 2006, expenses can continue to be incurred until March 15, 2007 and paid until March 31, 2007. Any balance that is unused by March 31, 2007 is forfeited to the employer (the RTC).
- In the event that contributions made by a County employee who has transitioned to employment with the RTC are unspent as of March 31, 2007, the County will transfer that revenue to the RTC and that revenue may become taxable revenue to the RTC. Those contributions will become assets of the RTC. Similarly, the RTC shall reimburse the County for any FSA funds paid on behalf of a County employee who has transitioned to employment with the RTC while they were still employees of the County of Santa Cruz, which were in excess of payroll

deductions he or she made to the County prior to the termination of the MOU,  
and that revenue may become taxable revenue to the County.

RTC Commission

County of Santa Cruz

Pat Dellin  
Executive Director

Susan A. Mauriello  
County Administrative Officer