

Mission Springs Water District
Employee Inquires and Their Estimated Fiscal Impact
May 2025 for FY 2025/2026 Budget

The ideas below were presented by the employees on March 5, 2025 and discussed by the Human Relations Committee on May 5, 2025.

- Cost of Living Adjustment (COLA) increase of 2.6%.
- One additional optional holiday.
- Flexible Spending Account (FSA).
- Compensatory Time -increase accrual limit to 80 hours

Cost of Living Adjustment

The March 2025 Consumer Price Index (CPI) for urban wage earners and clerical workers in the Riverside-San Bernardino-Ontario, CA as prepared by the U.S. Dept. of Labor, Bureau of Labor Statistics, reveals an increase of 2.6%

Fiscal Impact: **2.6% = \$139,000** Based on FY 2025 employee salary and wages.

One Additional Optional Holiday

Currently, MSWD provides a total of 13 paid holidays annually, which includes 10 designated (observed) holidays and 3 optional/floating holidays). To align with prevailing practices and enhance the District's ability to attract and retain qualified employees, staff recommends the addition of one optional/floating holiday to MSWD's existing holiday schedule.

Compensation for the additional holiday is included as part of salaries and wages and is already part of the budget.

Fiscal impact: No additional impact.

Flexible Spending Account (FSA)

An FSA is an employer-sponsored savings account that employees can use to set aside pre-tax money to pay for eligible health care and dependent care expenses. Participation in the FSA is entirely voluntary.

The actual fiscal impact to the District will vary depending on the number of participating employees.

Cost Summary:

The following are the anticipated administrative costs associated with implementing and maintaining the FSA program:

- Monthly administrative fee: \$3.75 per participating employee
- Initial plan documentation set-up fee: \$500 (one-time)
- Annual compliance testing: \$500
- Plan amendments (as needed): \$150 per amendment

Eligibility:

The FSA program would be available to all regular-status employees who have successfully completed their new hire probationary period.

Contribution Limits:

The proposed initial annual maximum employee contribution is \$1,500, which is below the IRS allowable limit of \$3,300 for calendar year 2025. In accordance with IRS guidelines, the full annual contribution amount must be made available to the employee at the beginning of the plan year, while contributions are deducted from payroll throughout the year on a pre-tax basis.

Risk Considerations:

- **Employee Separation:** If an employee separates from employment before their payroll contributions have matched the full upfront amount used, the District may incur a partial financial loss (depending on when the employee leaves and the balance in their FSA account).
- **Forfeitures:** In accordance with IRS regulations, any unused funds remaining in an employee's FSA account at the end of the plan year are generally forfeited and revert to the employer. This provision may help offset potential losses from early employee departures.

By offering an FSA, the District would provide employees with a valuable financial planning tool, while also potentially reducing the District's payroll tax liability on employee contributions.

Fiscal Impact: Initial anticipated costs for FY 2026: \$3,430.00 (Assuming a 100% employee participation rate and excluding any forfeitures or losses from employee separation).

Compensatory Time -Increase Accrual Limit to 80 hours

Currently, employees are allowed to accrue up to 40 hours of compensatory time. We are proposing to increase the accrual limit to 80 hours. The District will cash out all outstanding compensatory time accruals at the end of each fiscal year.

While there may be a small financial impact to the District as merit increases may increase the required payout at the end of the fiscal year, it is estimated that any additional cost would be offset by the District not incurring extra cost to pay for overtime in lieu of already budget hours and cost. **Therefore, it is estimated that this request would not increase the budget.**