

STATE OF ILLINOIS
BEFORE THE JO-CARROLL DEPOT LOCAL REDEVELOPMENT
AUTHORITY

Resolution # 17

A resolution to adopt a Cafeteria Plan for Employees of the LRA.

WHEREAS the Counties of Jo Daviess and Carroll established the Jo-Carroll Depot Local Redevelopment Authority (LRA) on August 20, 1998 by an Intergovernmental Agreement, which said the LRA Board of Directors shall employ an Executive Director and such support staff as may be necessary.

WHEREAS, the LRA Board wishes to comply with Federal regulations relating to the establishment of a Cafeteria Plan within the meaning of Section 125 of the Internal Revenue Code, as amended from time to time, to provide certain benefits to the Employees of the LRA.

WHEREAS, the LRA Board passed a motion on January 9, 2008 to create a Flexible Savings Account plan and pay a one-time set-up fee of \$700.

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE JO-CARROLL DEPOT LOCAL REDEVELOPMENT AUTHORITY:

Section 1. The Jo-Carroll Depot Local Redevelopment Authority Cafeteria Plan be and hereby is established and adopted effective on passage of this Resolution.

Section 2. The form of the Cafeteria Plan shall include a Flexible Spending Account, FSA, and shall read substantially as the form presented to and recommended for Board approval by the Finance and Personnel Committee, a copy of which is attached hereto.

Section 3: The Executive Director is to take such actions that are deemed necessary and proper in order to enroll employees in the Plan, implement the Plan, and to set up adequate accounting and administrative procedures to provide benefits under the Plan.

Section 4: This Resolution is effective immediately.

Ayes: 6

Nays: 0

Absent: 0

Secretary

Dawn Lucas

In testimony whereof, I have hereunto set my hand at Savanna, Illinois this 13th day of May.

I, Dawn Lucas, Secretary of the Jo-Carroll Depot Local Redevelopment Authority, keeper of the records and files thereof in accordance with law; do hereby certify the foregoing Resolution was passed by the Board of Directors at its regular meeting held at Savanna, Illinois on the date aforesaid in accordance with law.

State of Illinois)
) ss.)
County of Carroll)



Chairman

Wm S. McFarland

Passed this 13th day of May, 2008 by the Board of Directors of the Jo-Carroll Depot Local Redevelopment Authority.

Cafeteria Plan Summary

Background:

An FSA allows money to be deducted from an employee's paycheck pre-tax and spent on qualified expenses, which include over-the-counter drugs and medical items. The money must be spent within the coverage period. Any money left unspent at the end of the period is forfeited back to the LRA according to the "use it or lose it" rule. In addition, the employee would be responsible for paying taxes on the forfeited funds. No employment or federal income tax is deducted from the contributions. Withdrawals are tax free if used to pay qualified medical expenses as defined by the IRS.

An employee can withdraw funds from the account to pay qualified medical expenses even if he has not yet placed the funds in the account. The LRA would be liable, would suffer a loss, if an employee is paid from the account and quits before contributing the full amount paid from the account. The law does not permit the LRA to attempt to recover the unpaid balance from the employee.

LRA employees may contribute pre-tax dollars to the plan up to \$2,000 per employee per year. In addition, health, dental and vision insurance may be paid from the accounts.

The LRA plans to make *no contribution* to the accounts.

From January 9, 2008 LRA Board Minutes: A motion was made and carried to increase the wages of all staff by 3.5% effective 1-1-08 and to create a Flexible Savings Account plan and pay a one-time set-up fee of \$700; the LRA would not contribute any other funds to the FSA.

Miner, Gilroy and Meade, CPAs, had questions for the LRA, and vice versa. Personnel Committee Chairman Ed Olds has gone over the Cafeteria Plan Checklist. The questions have been answered, and the LRA is ready to adopt the plan. After adoption, a final Plan Document will be provided to the LRA. Mr. Gilroy has asked the LRA to pass a resolution adopting the plan. The resolution follows.

A recommendation from the Finance and Personnel Committee to adopt the Resolution is requested. It would create an initial short plan year of May 7-December 31, 2008. Beginning January 1, 2009, the plan year would run Jan. 1-Dec. 31.