CITY COUNCIL AGENDA

Notice is hereby given that the Rockport City Council will hold a regular meeting on Tuesday, June 23, 2020, at 6:30 p.m. The meeting will be held using the video conferencing application ZOOM. **No in-person meeting will be conducted at the Rockport Service Center.** A temporary suspension of the Open Meetings Act to allow telephone or video conference public meetings has been granted by Governor Greg Abbott. These actions are being taken to mitigate the spread of COVID-19 by avoiding meetings that bring people into a group setting and in accordance with Section 418.016 of the Texas Government Code. Video conferencing capabilities will be utilized to allow individuals to address the City Council. Members of the public can participate in the meeting remotely via Zoom at https://us02web.zoom.us/j/88965722494.

Due to the COVID-19 pandemic, the attorney general has said: “statutes that may be interpreted to require face-to-face interaction between members of the public and public officials are suspended; provided, however, that the governmental bodies must offer alternative methods of communicating with their public officials.” Public participation is valued and citizens wishing to express their views on any topic or Agenda item can either electronically submit a Citizen Participation Form or provide written comments to the City Secretary by 4:00 p.m. on the day of the meeting. The Mayor will read the comments and they will be entered in the minutes of the meeting.

The matters to be discussed and acted upon are as follows:

**Opening Agenda**

1. Call meeting to order.

2. Pledge of Allegiance.


4. Citizens to be heard.

   At this time, written comments received by 4:00 p.m. on the day of the meeting, on any subject matter that is not on the agenda, will be read by the Mayor and entered in the minutes of the meeting. In accordance with the Open Meetings Act, Council may not discuss or take action on any item that has not been posted on the agenda.

**Consent Agenda**

All consent agenda items listed are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Council Member so requests, in which event the item will be removed from the Consent Agenda and considered in its normal sequence on the agenda.


6. Deliberate and act on request from Wendell Family Fireworks for approval of hanging street banners near 2405 Highway 35 Business North and near 1202 FM 3036 for Wendell Family July 4 Fireworks from July 1, through July 5, 2020.

7. Deliberate and act on request for temporary signage at various locations for the Seafair Festival and HummerBird Celebration, including a street banner at the Walmart entryway on Highway 35 North, and FM 3036 at Broadway, and various off-street directional signs, from August 1 through October 13, 2020.

8. Deliberate and act on request for closure of certain sections of S. Ann Street, E. Market Street,
and S. Magnolia street for the Seafair parade on October 10, 2020 and closure of Laurel Street, from Business 35 to Seabreeze, on October 5-11, 2020, for Seafair.

9. Deliberate and act on second and final reading of an Ordinance of the City of Rockport, Texas, declaring a six month Moratorium on the acceptance of applications for the issuance of permits for the use of a location as an internet sweepstakes cafes or similar gaming machine establishments in the City of Rockport; directing City staff to study and make a recommendation to City Council regarding appropriate regulations for internet sweepstakes cafes or similar gaming machine establishments; providing for a method of repeal of this Moratorium; providing for severability; providing for a repealer clause and an effective date.

10. Deliberate and act on 1st and 2nd quarter reports from Mission-Aransas National Estuarine Research Reserve & The University of Texas Marine Science Institute for Fiscal Year 2019-2020 Bay Education Center marketing expenditures.

Regular Agenda

11. Deliberate and act on a Resolution authorizing publication and posting of notice of intention to issue certificates of obligation to finance various public improvements.

12. Deliberate and act on an Ordinance of the City Council of the City of Rockport, Texas, extending a Declaration of Local Disaster for the period of June 23 – July 14, 2020; establishing rules and regulations for the duration of the disaster; restricting certain activities; and establishing penalties for violations.


14. Deliberate and act on Section 125 Flexible Spending Arrangement agreement with Texas Municipal League Health Benefits Pool.

15. Deliberate and act on an Interlocal Agreement with the Alliance for Community Solutions (ACS) related to expanded participation in ACS services and authorizing the City Manager to negotiate and execute all necessary documents.


17. Reports from Council.
At this time, the City Council will report/update on all committee assignments, which may include the following: Aransas County Alliance Local Government Corporation; Aransas Pathways Steering Committee; Building and Standards Commission; Coastal Bend Bays and Estuaries Program; Coastal Bend Council of Government; Park & Leisure Services Advisory Board; Planning & Zoning Commission; Rockport-Fulton Chamber of Commerce; Aransas County Storm Water Management Advisory Committee; Rockport Cultural Arts District, Swimming Pool Operations Advisory Committee; Tourism Development Council; Tree & Landscape Committee; YMCA Development Committee; Texas Maritime Museum, Fulton Mansion, Rockport Center for the Arts, Aransas County, Aransas County Independent School District, Aransas County Navigation District, Town of Fulton, and Texas Municipal League. No formal action can be taken on these items at this time.

18. Adjournment.
Special Accommodations
This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive services must be made 48 hours prior to this meeting. Please contact the City Secretary’s office at (361) 729-2213, ext. 225 or FAX (361) 790-5966 or email citysec@cityofrockport.com for further information. Braille is not available. The City of Rockport reserves the right to convene into executive session under Government Code §551.071- §551.074 and §551.086.

Certification
I certify that the above notice of meeting was posted on the bulletin board at the Rockport Service Center, 2751 State Highway 35 Bypass, Rockport, Texas on Friday, June 19, 2020, by 5:00 p.m. and on the City’s website at www.cityofrockport.com. I further certify that the following News Media were properly notified of this meeting as stated above: The Rockport Pilot and Corpus Christi Caller Times.

Teresa Valdez, City Secretary
AGENDA ITEM: 3

Presentation: Items from 1970 Centennial Time Capsule – J.W. Harden and Agnes Harden.

SUBMITTED BY: Kimberley Henry

APPROVED FOR AGENDA: PKC

BACKGROUND: Since opening the time capsule from 1970, staff is reaching out to various individuals that are mentioned in the documents we were able to salvage. We plan to bring additional items to the Council throughout the remainder of 2020.

Attached is one of those letters along with a photo of items that were left by J.W. Harden and his wife, Agnes Anton “Tony” Adamson Harden to their son Adam Jay Harden.

Interestingly, Agnes (Tony) Harden served the citizens of Aransas County for more than 26 years. She served on the City Council for eight years, was the first woman to serve as the City of Rockport Council, Mayor Pro Tem, was the first District Clerk for Aransas County, Texas (1972-1990), was the first woman to serve as County Judge for Aransas County (1991-1998), was a member of the Rockport Business & Professional Women for over 25 years, and was awarded the Road Hand Award in 1998 by the Texas Department of Transportation for helping to develop Highway 35 relief route (By-Pass).

The Harden’s were a wonderful part of the history of Rockport and Aransas County and we are appreciative of Adam Harden sharing their history with us. Mr. Adam Harden will be present at the Council Meeting to receive the items his family left for him.

Please see the accompanying photos of the time capsule items.

FISCAL ANALYSIS: N/A

RECOMMENDATION: Not an action item.
June 26, 1976

To: Adam Jay Harden
From: Mother, Agnes Anton “Tony” Adamson Harden
Father, J. W. Harden

Our dearest Adam:

Trying to project fifty years ahead is rather difficult and almost an impossibility, so we will write mostly about the past. You are six years old at this writing. We have just completed celebrating Rockport’s and Arkansas County’s 100th birthday. We have promenaded in our Centennial clothes. You in your vest that I made for you. You love the color brown because Marshall Adairs wears a brown vest. We wore a green vest that I made and I wore a white Gibson girl blouse with leg of mutton sleeves and a long floor length black skirt. We did look nice. Daddy also grew long sideburns, called “Pork Chops” and a mustache and he was handsome. We took you to the carnival that was in town and you rode almost every ride and played every game on the carnival grounds. You had a wonderful time and we did, too. You were also a performer in the pageant titled “Bustles to Bikinis.” You also red two parades.

As you know now at reading this you are our only child. We lost a little girl, your sister, at birth on July 2, 1976, but then the
Lord, blessed us with you. The love we have for you is indescribable. We have tried to show you this love in many ways. We truly hope we have not used this love unwisely. We have taught you to love openly and freely and hope that you do not get hurt from this, for we believe that it is better to love and lose than to have never loved at all. We can say this because your Dad and I have truly had a wonderful love and you consummated this love — so we call you a love child. We hope that you have found happiness and have a good life. We have always tried to do the right thing for you — sometimes that meant a severe reprimand for you. At times, there is a very small line between right and wrong. Hope we have not chosen the wrong too much. You have been a very good and not a bad boy and we have enjoyed every second. Sometimes it has been a little embarrassing, but not the general rule. Wish somehow we could be with you when you read this, however, that is almost out of reason. Your Dad is 46 at this writing. I am 43. That would make us in our 90s — but only the Good Lord knows what is possible and what is not.
In this envelope you will find a family picture that was taken March 20, 1910. Also you...
will find coins minted in 1964, the year of your birth. These are silver coins and 1964 was the last year silver was used in our coins. Also you will find (3) three one dollar bills (3) three one dollar bills. Each bill signed by a different Secretary of the Treasury, but minted in the 1963 Series. This happened in the last months of K. B. Johnson’s administration. Henry Fowler was Secretary of the Treasury and resigned. Joseph Barr was appointed and served approximately one month. Then Richard Nixon’s administration took office and stopped using silver dollars. These dollars have little value at this date, but nevertheless they can be a small remembrance of us to you and yours. Also you will find a silver certificate. These certificates were called back by the Federal Government several months ago, back in 1969 but this one has been saved for you now. We are also enclosing one silver dollar minted in 1922. Silver dollars are very scarce now and if none are minted this will surely be a collector’s item when you receive it in the year 2020.

May you have a good life and what we as your parents, have done help you on this odyssey of life.

We have taught you love of man and a love of God and Jesus Christ. Put your faith in God and we know you will not
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I have too many complex problems that you cannot handle.

With all our love,

Mary & Paul

[Signature]

[Signature]
AGENDA ITEM: 5


SUBMITTED BY: City Secretary Teresa Valdez

APPROVED FOR AGENDA: PKC

BACKGROUND: Please see the accompanying minutes of the Regular Meeting of June 9, 2020.

FISCAL ANALYSIS: N/A

RECOMMENDATION: Staff recommends Council approve the Minutes, as presented.
CITY OF ROCKPORT

MINUTES

CITY COUNCIL REGULAR MEETING
6:30 p.m., Tuesday, June 9, 2020
Rockport Service Center, 2751 State Highway 35 Bypass

On the 9th day of June 2020, the City Council of the City of Rockport, Aransas County, Texas, convened in Regular Session at 6:30 p.m., at the Training Room of the Rockport Service Center, and notice of meeting giving time, place, date and subject was posted as described in V.T.C.A., Government Code § 551.041.

CITY COUNCIL MEMBERS PRESENT     CITY COUNCIL MEMBER(S) ABSENT
Mayor Patrick R. Rios
Mayor Pro-Tem J.D. Villa, Ward 2
Council Member Michael Saski, Ward 1
Council Member Bob Cunningham, Ward 3
Council Member Andrea Hattman, Ward 4

STAFF MEMBERS PRESENT     ELECTED OFFICIALS PRESENT
City Manager Kevin Carruth
City Secretary Teresa Valdez
Finance Director Katie Griffin
Police Chief Greg Stevens
Parks & Leisure Services Director Rick Martinez
Public Works Director Mike Donoho
Information Technology Director Bob Argetsinger

Opening Agenda

1. Call to Order.

With a quorum of the Council Members present, the Regular Meeting of the Rockport City Council was called to order by Mayor Rios at 6:31 p.m. on Tuesday, June 9, 2020, in the Training Room of the Rockport Service Center, 2751 State Highway 35 Bypass, Rockport, Texas.

2. Pledge of Allegiance.

Council Member Saski led the Pledge of Allegiance to the U.S. flag.

3. Presentation: Spirit of Rockport Award.

Mayor Rios stated the “Spirit of Rockport” award was developed to recognize individuals and organizations who exemplify the unique spirit of Rockport. Mayor Rios explained nominees are
those who go above and beyond to make our community a better place. Mayor Rios presented the first “Spirit of Rockport” award to Lisa Gordon, Jessee Pilgrim and Mary Theiss, founders of the Aransas County PPE Sewing Group. Mayor Rios said in less than two months, the three Rockport residents galvanized a community of sewers who provided more than 3,000 free masks for residents, nursing homes, government offices and businesses, and held four drive-by mask distribution events. Mayor Rios presented the “Spirit of Rockport Award” to Lisa Gordon, Jessee Pilgrim and Mary Theiss.

Ms. Gordon, Ms. Pilgrim and Ms. Theiss received a standing ovation.

Mary Theiss thanked the City of Rockport for the award and thanked everyone who pitched in and helped. Ms. Theiss said Michaels donated 80 yards of fabric for the masks.

Lisa Gordon thanked the Town of Fulton for loaning the Community Center, at no cost, to them for distribution of the masks. Ms. Gordon said her three children assisted with drop off and delivery.


City Manager Kevin Carruth stated the time capsule from the 1970 Centennial was unearthed from its burial place prior to the demolition of City Hall and taken to the Rockport Service Center. Mr. Carruth explained the capsule was a stainless-steel tube, approximately 48 inches high and 18 inches in diameter and was placed inside a concrete vault. Mr. Carruth called the Council’s attention to the pictures in the Agenda packet and said that despite the lid being tightly fastened and no apparent means for water intrusion most of the contents were wet and there was an accumulation of water at the bottom, likely from condensation. Mr. Carruth explained due to the moisture many of the items were dirty, rusted, and generally in poor condition; however, many items did survive. Mr. Carruth said the contents included many pieces of news media, budgets, audits, letters, coins, photos, etc. and staff has worked diligently to save as many items as possible and plan to bring forward different pieces for recognition and display these items to Council and public over the next several months. Mr. Carruth called the Council’s attention to the pictures in the Agenda packet of a promotional flyer, the Centennial Schedule, a reel to reel audio from a pageant produced for the event, and a cassette tape of interviews on KDOT radio. Mr. Carruth stated that despite the questionable condition of the two audio tapes, staff reached out to KCTA AM Radio in Corpus Christi and they were able to direct us to Mr. Jim Wilken at Trinity Recording Studio and he was able to clean, play, and re-record both tapes. Mr. Carruth said the audio is now available on the City’s website by clicking on the “Voices from the Past” link on the Sesquicentennial page.

Mayor Rios commented one interesting thing about the Centennial was the goal of $6,000 working capital for the celebration.

5. Citizens to be heard.

At this time, comments will be taken from the audience on any subject matter that is not on the agenda. To address the Council, please sign the speaker’s card located on the table in the back of the Training Room of the Rockport Service Center and deliver to the City Secretary before the meeting begins. Limit comments to three (3) minutes. In accordance with the Open Meetings Act, Council may not discuss or take any action on any item that has not been posted on the agenda. While civil public criticism is not prohibited; disorderly conduct or disturbance of the peace as prohibited by law shall be cause for the chair to terminate the offender’s time to speak.
There were no citizen comments.

**Consent Agenda**
All consent agenda items listed are considered to be routine by the City Council and will be enacted by one motion. There will be no separate discussion of these items unless a Council Member so requests, in which event the item will be removed from the Consent Agenda and considered in its normal sequence on the agenda.


9. Deliberate and act on a Resolution of the City of Rockport Texas, authorizing the Rockport Police Department to apply for and operate a Local Border Security Program (Border Star) administered by the Office of the Governor for Fiscal Year 2021; and authorizing the Mayor to act as the Executive Officer and authorized representative in all matters pertaining to the participation in this grant program.

10. Deliberate and act to confirm Mayoral appointments to various City of Rockport boards, commissions, and committees.

11. Deliberate and act to confirm Mayoral appointments of City Council liaisons to various boards, committees, and commissions.

12. Deliberate and act on approval of an Interlocal Cooperation Agreement by and between Aransas County and City of Rockport for Bay Shore Final Engineering and Shoreline Restoration project.

13. Deliberate and act on approval of an Assignment Agreement between Aransas County and City of Rockport for Bay Shore Drive Final Engineering and Shoreline Restoration project.

Mayor Rios called for requests to remove any item from the Consent Agenda for separate discussion.

Council Member Cunningham requested Consent Agenda Item #12 be removed for separate discussion.

MOTION: Mayor Pro-Tem Villa moved to approve Consent Agenda, minus Item #12, as presented. Council Member Cunningham seconded the motion. Motion carried unanimously.

Item #12.

Public Works Director Mike Donoho stated prior to Hurricane Harvey the City had been participating in the Aransas County Coastal Resilience Initiative and seek grants. Mr. Donoho informed the Council a grant was awarded to Aransas County, but in the City of Rockport, and is being funded out of the Texas Commission on Environmental Quality’s Restore Act Bucket 1 program. Mr. Donoho explained the project includes rehabilitation of an existing failed groin within Reach 1 of the Key Allegro Peninsula.
Discussion was held among Council and Mr. Donoho.

**MOTION:** Council Member Cunningham moved to approve the Interlocal Cooperation Agreement with Aransas County for Bay Shore Final Engineering and Shoreline Restoration project. Council Member Saski seconded the motion. Motion carried unanimously.

**Regular Agenda**

12. Deliberate and act on first reading of an Ordinance of the City of Rockport, Texas, declaring a six month Moratorium on the acceptance of applications for the issuance of permits for the use of a location as an internet sweepstakes cafes or similar gaming machine establishments in the City of Rockport; directing City staff to study and make a recommendation to City Council regarding appropriate regulations for internet sweepstakes cafes or similar gaming machine establishments; providing for a method of repeal of this Moratorium; providing for severability; providing for a repealer clause and an effective date.

City Manager Kevin Carruth informed the Council staff has begun receiving inquiries from persons interested in opening game rooms inside the City limits. Mr. Carruth stated as noted in the memorandum from the City Attorney, included in the Agenda packet, there is no specific case law provision prohibiting sweepstakes Internet cafes or other game rooms and he therefore believes the City currently cannot prohibit the opening of such businesses. Mr. Carruth said if Council wishes to investigate the possibility of establishing an ordinance prohibiting game rooms or regulating them in some other manner, it would be prudent to enact a temporary moratorium to allow time to develop the research and draft appropriate ordinances.

Police Chief Greg Stevens addressed the Council. Chief Stevens said he could not emphasize enough the problems these types of businesses bring to a community; they tend to leach on people who are the least able to participate. Chief Stevens stated if these rooms every pay out any money, that is illegal. Chief Stevens expressed they victimize people who would have that money for the more normal things in life. Chief Stevens added they create violence and social ills that get put into the neighborhood. Chief Stevens declared as the City’s appointed law enforcement official he recommends the Council adopt the Moratorium until the development of appropriate ordinances.

Brief discussion was held among Council and Chief Stevens.

**MOTION:** Mayor Pro-Tem Villa moved to approve the first reading of an Ordinance of the City of Rockport, Texas, declaring a six month Moratorium on the acceptance of applications for the issuance of permits for the use of a location as an internet sweepstakes cafes or similar gaming machine establishments in the City of Rockport; directing City staff to study and make a recommendation to City Council regarding appropriate regulations for internet sweepstakes cafes or similar gaming machine establishments; providing for a method of repeal of this Moratorium; providing for severability; providing for a repealer clause and an effective date. Council Member Saski seconded the motion. Motion carried unanimously.
13. Deliberate and act on approval of a Consulting Services Agreement between Aransas County Alliance Local Government Corporation and the City of Rockport for the purpose of promoting economic development of the Aransas County area.

Mayor Rios said this Agreement is the instrument to put into place a contract with the Aransas County Alliance Local Government Corporation for promoting economic development.

Council Member Cunningham said the Interlocal Agreement calls for the Agreement to be administered the entities representatives and they have a hand in dealing with contracts. Council Member Cunningham stated they are supposed to meet quarterly and asked if that has happened.

City Manager Kevin Carruth answered they had not met because each of the entities meet individually so there is not need for them to meet.

Mayor Rios added the contracts will go through the City Attorney for review.

Council Member Cunningham stated his other concern in the Agreement was under Section 1.1.(o). Council Member Cunningham said there was supposed to be a priority of a one-stop shop of all subscribing entities and a priority for work force and low-income housing critical to Rockport.

Discussion was held among Council.

MOTION: Council Member Cunningham moved to approve the Consulting Services Agreement between Aransas County Alliance Local Government Corporation and the City of Rockport for the purpose of promoting economic development of Aransas County area, with the following amendments: 1) Remove Section 1.1.(e) and add as #1 under Section 1.1.(o) -To establish a “one stop shop” where outside businesses can come for information compiled of all requirements for doing business in this area; and 2) Add as #2 under Section 1.1.(o) – To develop strategies that attract those segments of the workforce that left because of Hurricane Harvey. Mayor Pro-Tem Villa seconded the motion. Motion carried unanimously.

14. Deliberate and act on an Ordinance of the City Council of the City of Rockport, Texas, extending a Declaration of Local Disaster for the period of June 9 – June 23, 2020; establishing rules and regulations for the duration of the disaster; restricting certain activities; and establishing penalties for violations.

Mayor Rios explained this is an extension of the Declaration of Local Disaster for the period of June 9 – June 23, 2020. Mayor Rios said this is the 6th extension, to ensure the City stays in compliance and is eligible to receive FEMA monies for disaster related expenses.

MOTION: Mayor Pro-Tem Villa moved to adopt an Ordinance of the City Council of the City of Rockport, Texas, extending a Declaration of Local Disaster for the period of June 9 – June 23, 2020; establishing rules and regulations for the duration of the disaster; restricting certain activities; and establishing penalties for violations. Council Member Saski seconded the motion. Motion carried unanimously.

Mayor Rios stated he spoke with Aransas County Judge Mills this morning and of the 126 tests conducted all were negative. Mayor Rios said he continues to have a steady series of meetings and phone calls. Mayor Rios informed the Council Corpus Christi had an increase of COVID-19 cases.

Mayor Pro-Tem Villa said Corpus Christi had three new cases today. Mayor Pro-Tem Villa said the parks and pool will be opening next week.

City Manager Kevin Carruth informed the Council the City will be opening the lobbies on Monday with social distancing restrictions.

16. Reports from Council.

At this time, the City Council will report/update on all committee assignments, which may include the following: Aransas County Alliance Local Government Corporation; Aransas Pathways Steering Committee; Building and Standards Commission; Coastal Bend Bays and Estuaries Program; Coastal Bend Council of Government; Park & Leisure Services Advisory Board; Planning & Zoning Commission; Rockport-Fulton Chamber of Commerce; Aransas County Storm Water Management Advisory Committee; Rockport Cultural Arts District, Swimming Pool Operations Advisory Committee; Tourism Development Council; Tree & Landscape Committee; YMCA Development Committee; Texas Maritime Museum, Fulton Mansion, Rockport Center for the Arts, Aransas County, Aransas County Independent School District, Aransas County Navigation District, Town of Fulton, and Texas Municipal League. No formal action can be taken on these items at this time.

Council Member Cunningham said he attended the Aransas County Navigation District meeting where Ed Rainwater reported the Key Allegro Homeowners Association was securing funding for removal of debris at Key Allegro. Council Member Cunningham stated the canal will be dredged in a different manner due to embedded material and with contained areas. Council Member Cunningham stated at the Aransas County Commissioners Court meeting yesterday Election Administrator Michele Carew talked about expenditures associated with additional work and preparations due to COVID-19.

Council Member Hattman stated she attended a ZOOM meeting for the Gulf Shore Villas project. Council Member Hattman said two points were lost due to incorrect facts and they are working on correcting that. Council Member Hattman expressed they are seeking letters of support; please send the letter to her.

Mayor Rios said staff is continuing to work on the sewer project. Mayor Rios stated he is spending quite a bit of time on the City Hall project. Mayor Rios expressed he is working with the City Manager and Finance Director on the best path for financing the project; hopefully it will be tax neutral. Mayor Rios stated the goal is to build a 75-100 year building that is built for the future.

Police Chief Greg Stevens addressed the Council. Chief Stevens stated the Council had probably seen on social media there is a citizen working to organize a demonstration and march in support of “Black Lives Matter.” Chief Stevens said he is working with her on getting her permit for the march and he appreciates the fact she is doing this in a proper and lawful manner. Chief Stevens said he will keep the Council updated and there will be a post on the Police Department Facebook page so the public is well informed.
Discussion was held among Council and Chief Stevens regarding the planned demonstration and march.

17. Adjournment.

At 8:04 p.m., Mayor Pro-Tem Villa moved to adjourn. Motion was seconded by Council Member Cunningham. Motion carried unanimously.

APPROVED:

____________________________
Patrick R. Rios, Mayor

ATTEST:

____________________________
Teresa Valdez, City Secretary
CITY COUNCIL AGENDA
Regular Meeting: Tuesday, June 23, 2020

AGENDA ITEM: 6

Deliberate and act on request from Wendell Family Fireworks for approval of hanging street banners near 2405 Highway 35 Business North and near 1202 FM 3036 for Wendell Family July 4 Fireworks from July 1, through July 5, 2020.

SUBMITTED BY: City Secretary Teresa Valdez

APPROVED FOR AGENDA: PKC

BACKGROUND: The City has received a request from Wendell Family Fireworks seeking approval for hanging street banners on Business Highway 35 in front of Wal Mart and on FM 3036 at Broadway for the Wendell Family Fireworks on July 4, 2020.

Banner signs to be installed across public streets require City Council approval according the City Code:

Sec. 6-64 (2)

Public Events. Public event banner signs shall be placed no earlier than 60 days prior to and removed within ten days following the event to which the banner sign applies. This type of banner sign must be attached to a building or permanent structure. Stakes of any material used to support banner signs must be securely installed in the ground. Each stake must have a minimum cross section area of three square inches. Permission must be obtained from the owner of the property on which the banner sign is to be placed. The property owner shall also be responsible for removal of the banner sign. Public event banner signs may be installed across public streets with permission of the city council.

Please see the accompanying application materials for additional information.

FISCAL ANALYSIS: N/A

RECOMMENDATION: Staff recommends approval of the request from Wendell Family Fireworks for approval of hanging street banners near 2405 Highway 35 Business North and near 1202 FM 3036 for Wendell Family Jul 4 Fireworks from July 1, through July 5, 2020, as presented.
June 16, 2020

Teresa Valdez
City of Rockport
622 E. Market Street
Rockport, TX 78382

Re: Wendell Family Fireworks Permission to hang street banners for 4th of July Fireworks

Dear Teresa,

We would like to ask the following:

Deliberate and take action on request from Wendell Family Fund/Fireworks of the following event signage from July 1st through July 5th. Banner Signs to go up – (1) at FM 3036/Broadway and (2) Hwy 35 N in front of Wal-Mart.

Thank you for your assistance and support.

Sincerely,

Lisa Wendell
Treasurer
Wendell Family Fireworks
CITY COUNCIL AGENDA
Regular Meeting: Tuesday, June 23, 2020

AGENDA ITEM: 7

Deliberate and act on request for temporary signage at various locations for the Seafair Festival and HummerBird Celebration, including a street banner at the Walmart entryway on Highway 35 North, and FM 3036 at Broadway, and various off-street directional signs, from August 1 through October 13, 2020.

SUBMITTED BY: City Secretary Teresa Valdez

APPROVED FOR AGENDA: PKC

BACKGROUND: The annual Seafair Festival is scheduled for October 8-11, 2020, and the HummerBird Celebration is scheduled for September 17-20, 2020. See the accompanying request for additional details.

FISCAL ANALYSIS:

RECOMMENDATION: Staff recommends City Council approve the request for temporary signage at various locations for the Seafair Festival and HummerBird Celebration, including a street banner at the Walmart entryway on Highway 35 N., and FM 3036 at Broadway, and various off-street directional signs, from August 1 through October 13, 2020, as presented.
June 15, 2020

Teresa Valdez
City of Rockport
622 E. Market Street
Rockport, TX 78382

Re: Seafair Parade Request for Road Closures and Permission to hang street banners for HummerBird Celebration and Rockport Seafair.

Dear Teresa,

We would like to ask the following:

A. Deliberate and take action on request from Rockport-Fulton Chamber of Commerce for the following items in conjunction with the Seafair Parade: Oct 10, 2020

   1. “Seafair” Parade – parade route from 622 E. Market Street (old City Hall) east to Magnolia Street, Magnolia Street north to Concho Street;
   2. Street closure for parade line-up: Ann Street, between Market & North Streets, beginning at 9:00 a.m. until start of parade;
   3. Street closures for parade route –
      a. Market Street at intersections of Ann Street, Pearl, Church, Live Oak, Magnolia (N & S) east to Magnolia Street;
      b. Magnolia Street north to Concho intersections of St. Mary’s, Wharf, North, Peter, Cornwall and Concho
   4. Street Closures for Seafair Festival Grounds-
   5. Police assistance as needed with theft, traffic, and crowd monitoring outside of grounds. Let us know if a meeting of all parties involved is needed.

B. Deliberate and take action on request from Rockport-Fulton Chamber of Commerce of the following event signage requests:

   1. Hummer Bird Celebration Event Dates - September 17-20, 2020 - Banner Signs to go up
      – (1) at FM 3036/Broadway and (2) Hwy 35 N in front of Wal-Mart from August 1-September 21, 2020 and various Off-street Directional Signs as requested – placed on Wednesday, September 1 and removed on Monday, September 21, 2020.

   2. Seafair Event Dates - October 8-11, 2020 - Banner signs to go up (1) at FM 3036/Broadway and (2) Hwy 35 N in front of Wal-Mart from September 21-October 13, 2020.

Thank you for your assistance and support.

Sincerely,

Sandy Jumper
Vice President Marketing and Promotion,
Rockport-Fulton Chamber of Commerce
AGENDA ITEM: 8

Deliberate and act on request for closure of certain sections of S. Ann Street, E. Market Street, and S. Magnolia street for the Seafair parade on October 10, 2020 and closure of Laurel Street, from Business 35 to Seabreeze, on October 5-11, 2020, for Seafair Festival.

SUBMITTED BY: City Secretary Teresa Valdez

APPROVED FOR AGENDA: PKC

BACKGROUND: The annual Seafair Parade is scheduled for Saturday, October 10, 2020, and will follow its traditional route. See the accompanying request for additional details. The HummerBird Celebration is scheduled for September 17-20, 2020.

FISCAL ANALYSIS: No direct cash expense anticipated; however, staff will track in-kind labor, materials, and equipment used in support of the event.

RECOMMENDATION: Staff recommends City Council approve the request for street closures, as presented.
June 15, 2020

Teresa Valdez
City of Rockport
622 E. Market Street
Rockport, TX 78382

Re: Seafair Parade Request for Road Closures and Permission to hang street banners for HummerBird Celebration and Rockport Seafair.

Dear Teresa,

We would like to ask the following:

A. Deliberate and take action on request from Rockport-Fulton Chamber of Commerce for the following items in conjunction with the Seafair Parade: Oct 10, 2020

1. “Seafair” Parade – parade route from 622 E. Market Street (old City Hall) east to Magnolia Street, Magnolia Street north to Concho Street;
2. Street closure for parade line-up: Ann Street, between Market & North Streets, beginning at 9:00 a.m. until start of parade;
3. Street closures for parade route –
   a. Market Street at intersections of Ann Street, Pearl, Church, Live Oak, Magnolia (N & S) east to Magnolia Street;
   b. Magnolia Street north to Concho intersections of St. Mary’s, Wharf, North, Peter, Cornwall and Concho
4. Street Closures for Seafair Festival Grounds-
5. Police assistance as needed with theft, traffic, and crowd monitoring outside of grounds. Let us know if a meeting of all parties involved is needed.

B. Deliberate and take action on request from Rockport-Fulton Chamber of Commerce of the following event signage requests:

1. Hummer Bird Celebration Event Dates - September 17-20, 2020 - Banner Signs to go up – (1) at FM 3036/Broadway and (2) Hwy 35 N in front of Wal-Mart from August 1-September 21, 2020 and various Off-street Directional Signs as requested – placed on Wednesday, September 1 and removed on Monday, September 21, 2020.

2. Seafair Event Dates - October 8-11, 2020 - Banner signs to go up (1) at FM 3036/Broadway and (2) Hwy 35 N in front of Wal-Mart from September 21-October 13, 2020.

Thank you for your assistance and support.
Sincerely,
Sandy Jumper
Vice President Marketing and Promotion,
Rockport-Fulton Chamber of Commerce
CITY COUNCIL AGENDA  
Regular Meeting: June 23, 2020

AGENDA ITEM: 9

Deliberate and act on second & final reading of an Ordinance of the City of Rockport, Texas, declaring a six month Moratorium on the acceptance of applications for the issuance of permits for the use of a location as an internet sweepstakes cafes or similar gaming machine establishments in the City of Rockport; directing City staff to study and make a recommendation to City Council regarding appropriate regulations for internet sweepstakes cafes or similar gaming machine establishments; providing for a method of repeal of this Moratorium; providing for severability; providing for a repealer clause and an effective date.

SUBMITTED BY: City Manager Kevin Carruth

APPROVED FOR AGENDA: PKC

BACKGROUND: Staff has begun receiving inquiries from persons interested in opening game rooms inside the city limits. As noted in the accompanying memo from the City Attorney, there is no specific case law provision prohibiting sweepstakes Internet cafes or other games rooms and he therefore believes the City currently cannot prohibit the opening of such businesses. If Council wishes to investigate the possibility of establishing an ordinance prohibiting game rooms or regulating them in some other manner, it would be prudent to enact a temporary moratorium to allow time to develop the research and draft appropriate ordnances.

FISCAL ANALYSIS: N/A

RECOMMENDATION: Staff recommends Council approve the second & final reading of an Ordinance of the City of Rockport, Texas, declaring a six month Moratorium on the acceptance of applications for the issuance of permits for the use of a location as an internet sweepstakes cafes or similar gaming machine establishments in the City of Rockport; directing City staff to study and make a recommendation to City Council regarding appropriate regulations for internet sweepstakes cafes or similar gaming machine establishments; providing for a method of repeal of this Moratorium; providing for severability; providing for a repealer clause and an effective date, as presented.
To:                Teresa Valdez, City Secretary, City of Rockport

From:               Cynthia Trevino, City Attorney

Date:               May 22, 2020

RE:                  Rules and Regulations for the Operation of Sweepstakes Internet Café within the City

Summary: There is no state law provision that the City can rely on to prohibit a sweepstakes Internet Café. However, the City can adopt game room ordinance to adopt regulations that would provide a starting point to curtail illegal activity and secondary effects created by such a business.


The test to determine if the sweepstakes terminals at this type of business is permitted is based on consideration. See id. If participants in an electronic sweepstakes must pay money for the privilege of playing or if participants who pay have better chances of winning than nonpaying participants, the electronic games qualify as illegal gambling devices. Id.

Not all sweepstakes are prohibited as Texas courts have stated: (1) “a sweepstakes will not necessarily constitute an illegal lottery when a means of entry is connected to the purchase of a legitimate product”; (2) “a promotional sweepstakes must also offer an alternative means of free entry”; (3) however, “[t]he mere pretense of free prizes, designed to evade the law, [will] not negate the element of consideration”; and (4) “the primary subject of the transaction must be the promoted product and not the sweepstakes game itself.” Texas v. Ysleta del sur Pueblo, No. EP–99–CV–320–KC, 2015 WL 1003879, at *30 (W. D. Tex. Mar. 6, 2015).

In the above referenced cases, the sweepstakes terminals were operated in a “casino-like” atmosphere or a section of the business was a game room type of set-up. The businesses served food/alcohol, had late hours and week-end operations and corresponding law enforcement calls.
Conclusion: Because there is no specific case law provision that prohibits a sweepstakes Internet café, we do not think that the City can prohibit the opening of such a business. However, the City can adopt a game room ordinance that would allow the City to put some regulations in place, including inspections of the premises by law enforcement, which would provide a starting point to curtail illegal activity. In several of the cases noted above, local police worked with the Attorney General’s enforcement divisions to build and prosecute cases.
Ordinance No. _________

A ORDINANCE OF THE CITY OF ROCKPORT, TEXAS, DECLARING A SIX MONTH MORATORIUM ON THE ACCEPTANCE OF APPLICATIONS FOR THE ISSUANCE OF PERMITS FOR THE USE OF A LOCATION AS AN INTERNET SWEEPSTAKES CAFE OR SIMILAR GAMING MACHINE ESTABLISHMENTS IN THE CITY OF ROCKPORT; DIRECTING CITY STAFF TO STUDY AND MAKE A RECOMMENDATION TO CITY COUNCIL REGARDING APPROPRIATE REGULATIONS FOR INTERNET SWEEPSTAKES CAFES OR SIMILAR GAMING MACHINE ESTABLISHMENTS; PROVIDING FOR A METHOD OF REPEAL OF THIS MORATORIUM; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER CLAUSE AND AN EFFECTIVE DATE.

WHEREAS, the City of Rockport is a home rule municipality incorporated under the authority of Article XI, Section 5 of the Texas Constitution; and

WHEREAS, the City Council has directed staff to investigate and review state law concerning the regulation of Internet sweepstakes cafes and similar gaming establishments and to make recommendations to the City Council on regulations regarding the use and location of these establishments in the City; and

WHEREAS, the City Council desires to maintain the health, safety, and general welfare of its inhabitants within the City until such time as the City Council has had a reasonable opportunity to review the recommended regulations and to take appropriate action as may be required to protect the public health, safety, and welfare; and

WHEREAS, a six-month moratorium placed on the issuance of permits for an Internet sweepstakes café or similar gaming machine establishments identified herein is a minimally intrusive regulation until such review can be completed;

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ROCKPORT, TEXAS:

Section 1. That the recitals contain in the preamble hereto are hereby found to be true and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the Council.

Section 2. Effective immediately no application shall be accepted and no permit, including building permit, certificate of occupancy, or any other license or permit required by the City, shall be issued for the use of a location as an Internet sweepstakes café or similar gaming machine establishment within the City.
Section 3. The purpose of this moratorium is to maintain the health, safety, and general welfare of its inhabitants until such time as proper regulations can be adopted regarding Internet sweepstakes cafes or similar gaming machine establishments.

Section 4. The following definitions apply to this ordinance:

a) The term *gaming machine establishment* as used in this ordinance means a place of business or place of public accommodation that is substantially used, but not necessarily primarily used, for the purpose of operating Internet sweepstakes machines or similar gaming machines.

b) The term *sweepstakes* as used in this ordinance means a game, presented electronically or through a gaming machine, or other promotion through which a person, with or without consideration, may enter to win or become eligible to receive a prize, when the determination of the receipt of or eligibility for such prize is based, in whole or in part, on chance, even if drawn from a predetermined, finite pool of opportunities to win.

c) The term *permit* as used in this ordinance means a license, certificate, approval, registration, consent, or other form of authorization required by law, rule, regulation or ordinance that must be obtained by a person in order to perform an action or development or initiate a project for which the permit is sought.

Section 5. The city staff of the City of Rockport are hereby directed to study and determine effective regulations concerning the location of Internet sweepstakes cafes or similar gaming machine establishments within the City, and to make recommendations to the City Council as expeditiously as possible regarding any such zoning or business regulations.

Section 6. This moratorium shall remain in effect until such time as the City Council has had a reasonable opportunity to consider and act upon appropriate regulations. This moratorium shall expire upon the first of one of the following events to occur: 1) six months from the date of adoption; 2) upon final adoption of an ordinance regulating Internet sweepstakes cafes or similar gaming machines establishments or; 3) upon a determination that such regulations are not appropriate. This moratorium may be extended by City Council action for an additional time period.

Section 7. It is hereby declared to be the intention of the City Council that the phrases, clauses, sentences, paragraphs, and sections of this ordinance be severable, and, if any phrase, clause, sentence, paragraph, or section of this ordinance shall be declared invalid by judgment or decree of any court of competent jurisdiction, such invalidity shall not affect any of the remaining phrases, clauses, sentences, paragraphs, or sections of this ordinance and the remainder of this ordinance shall be enforced as written.
Section 8. The repeal or amendment of any ordinance or part of ordinances effectuated by the enactment of this ordinance shall not be construed as abandoning any action now pending under or by virtue of such ordinance or as discontinuing, abating, modifying, or altering any penalty accruing or to accrue or as affecting any rights of the City of Rockport under any section or provisions of any ordinances in effect at the time of passage of this ordinance.

Section 9. The provisions of this ordinance shall be cumulative of all ordinances not repealed by this ordinance and ordinances governing or regulating the same subject matter as that covered herein.

Section 10. That it is officially found, determined and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this ordinance, was given, all as required by Chapter 551, as amended, Texas Government Code.

Section 11. This ordinance shall be effective upon passage and approval as authorized in the City Charter and any other publications required by law.

PASSED and APPROVED on first reading by the City Council of the City of Rockport, Texas, on the 9th day of June 2020.

APPROVED and ADOPTED by the City Council of the City of Rockport, Texas, on the _____ day of _____________ 2020.

CITY OF ROCKPORT

_________________________
Patrick R. Rios, Mayor

ATTEST:

_________________________
Teresa Valdez, City Secretary

APPROVED AS TO FORM:
Denton Navarro Rocha Bernal & Zech, P.C.
AGENDA ITEM:  10

Deliberate and act on 1st and 2nd quarter reports from the Mission-Aransas National Estuarine Research Reserve & The University of Texas Marine Science Institute for Fiscal Year 2019-2020 Bay Education marketing expenditures.

SUBMITTED BY:  City Secretary Teresa Valdez

APPROVED FOR AGENDA:  PKC

BACKGROUND:  Mission-Aransas National Estuarine Research Reserve & The University of Texas Marine Science Institute has been allocated $15,000.00 in FY 2019-2020 Hotel Occupancy Tax (HOT) funds. According to our agreement with the NERR UTMSI, fiscal quarterly financial reports are required to be submitted to the City Council for approval. See the accompanying 1st and 2nd quarter HOT expenditure reports for additional information.

FISCAL ANALYSIS:  Charged to account 6602003. The budgeted amount is $15,000.00 and YTD expenses are $10,299.85.

STAFF RECOMMENDATION:  Staff recommends Council approve the NERR UTMSI Fiscal Year 2019-2020 Hotel Occupancy Tax funds 1st and 2nd quarter expenditures and authorization to disburse 2nd and 3rd quarter funds in the amount of $10,299.85, as presented.
June 16, 2020

Honorable Mayor Patrick Rios
Rockport, Texas

RE: Bay Education Center Hotel Occupancy Tax Quarterly Report Oct to Dec 2019

Dear Mayor Rios,

The Mission-Aransas National Estuarine Research Reserve (Reserve) at the University of Texas Marine Science Institute (UTMSI) would like to thank you and the City of Rockport for the support of the Bay Education Center (BEC) through the Hotel Occupancy Tax (HOT) in the amount of $15,000 for FY2019. The funds have been instrumental in keeping the Bay Education Center open to the public for free. The BEC was recovering from Hurricane Harvey damage during this quarter of October to December 2019. In accordance with Exhibit A on how HOT funds were spent, the funds allowed the BEC to pay for operational expenses that go towards program development and enhancements so that tourists receive free programming throughout the year. For Exhibit B, HOT funds were spent in the following categories as construction continues to prepare for re-opening in order to provide free programming to tourists:

Exhibit "B:

<table>
<thead>
<tr>
<th>Description of Expense</th>
<th>Approved Budget</th>
<th>1st Quarter Expenses (Oct-Dec)</th>
<th>2nd Quarter Expenses (Jan-Mar)</th>
<th>3rd Quarter Expenses (Apr-Jun)</th>
<th>4th Quarter Expenses (Jul-Sep)</th>
<th>TOTAL</th>
</tr>
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<tbody>
<tr>
<td>Operational Expenses for Program Development:</td>
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<td><strong>$0.00</strong></td>
<td><strong>$4,973.50</strong></td>
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</tbody>
</table>
We want to thank you again for the continued support and look forward to serving the community again this year.

Sincerely,

Jace Tunnell
Reserve Director
June 16, 2020

Honorable Mayor Patrick Rios
Rockport, Texas

RE: Bay Education Center Hotel Occupancy Tax Quarterly Report Jan to March 2020

Dear Mayor Rios,

The Mission-Aransas National Estuarine Research Reserve (Reserve) at the University of Texas Marine Science Institute (UTMSI) would like to thank you and the City of Rockport for the support of the Bay Education Center (BEC) through the Hotel Occupancy Tax (HOT) in the amount of $15,000 for FY2019. The funds have been instrumental in keeping the Bay Education Center open to the public for free. The BEC opened in January 2020 to the public for the first time since Hurricane Harvey. In accordance with Exhibit A on how HOT funds were spent, the funds allowed the BEC to pay for operational expenses that go towards program development and enhancements so that tourists receive free programming throughout the year. The following is Exhibit B of how the funds for FY2019 have been spent through the 2nd quarter to March 2020 so that tourists have free admission to the BEC programming.

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<table>
<thead>
<tr>
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<td><strong>$10,299.85</strong></td>
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</table>
We want to thank you again for the continued support and look forward to serving the community again this year.

Sincerely,

Jace Tunnell
Reserve Director

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<tr>
<th>Description of Administrative Expenses</th>
<th>Current Fiscal Year Administrative Expenses Projection</th>
<th>Fiscal Year Administrative Actual Expenses</th>
<th>Percentage of Fiscal Year Projections</th>
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AGENDA ITEM: 11

Deliberate and act on a Resolution Authorizing Publication and Posting of Notice of Intention to Issue Certificates of Obligation to Finance Various Public Improvements

SUBMITTED BY: Director of Finance Katie Griffin

APPROVED FOR AGENDA: PKC

BACKGROUND: During the February strategic planning session workshop, the Council discussed the City’s debt capacity and the need for future bond sales. There are several capital needs of the City, including but not limited to the replacement of City Hall, park improvements, street improvements and vehicle and equipment needs.

During the annual budget process, both General Fund and Utility Fund departments identified their required capital improvements. Those items are attached for review.

Discussions with the City’s Financial Advisor, Bob Henderson of RBC Capital Markets, resulted in the attached list of capital projects to be funded with the issuance of Certificates of Obligation Bonds.

Please see the accompanying list of capital project identified for this CO issues and the proposed resolution for more information.

FISCAL ANALYSIS: Over the past several years, the City has made been able to pay down outstanding debt, resulting in a decrease in the Interest & Sinking (I&S) tax rate. This decrease in tax rate expected in FY 2020-2021 provides an opportunity to issue approximately $20M in COs in the late summer of 2020 with minimal impact on the City’s I&S tax rate. The FY19-20 tax rate is approximately $.1720. The proposed CO issuance will increase the tax rate approximately $0.012 to approximately $0.185; substantially lower than in the previous fiscal year. In addition to the increase to the I&S rate, there will be a minimum increase in the base water rate for the portion of the CO that will service the utility fund.

RECOMMENDATION: Staff recommends Council approve the resolution authorizing publication and posting of notice of intention to issue certificates of obligation to finance various public improvements, as presented.
<table>
<thead>
<tr>
<th>Item</th>
<th>Project</th>
<th>Cost</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>City Hall</td>
<td>$10,750,000</td>
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<tr>
<td>2</td>
<td>Concho Street Stormwater Drainage (related to City Hall construction)</td>
<td>$2,300,000</td>
</tr>
<tr>
<td>3</td>
<td>Key Allegro Bridge Easements</td>
<td>$650,000</td>
</tr>
<tr>
<td>4</td>
<td>City Vehicles &amp; Equipment (PW-12, PD-6, Patrol Boat-1, Heavy Equipment-1) $300K is for Utilities</td>
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<tr>
<td>5</td>
<td>RSC Dispatch Consoles (Backup Dispatch)</td>
<td>$750,000</td>
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<tr>
<td>6</td>
<td>Austin Street Rebuild &amp; Water Main ($750K is for Water Main)</td>
<td>$1,950,000</td>
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<tr>
<td>7</td>
<td>Memorial Park Parking Lot &amp; Entrance</td>
<td>$300,000</td>
</tr>
<tr>
<td>8</td>
<td>Memorial Park Shade Structure</td>
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<tr>
<td>9</td>
<td>Youth Gathering Facility &amp; Parking</td>
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<td>10</td>
<td>Pool Replastering</td>
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<td>Slide for Large Pool</td>
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<td>Pool Parking Lot</td>
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<td>13</td>
<td>Linden Street Rehabilitation</td>
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NOTE: This is incorrect table, see next page.
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<td>13</td>
<td>Linden Street Rehabilitation</td>
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<td><strong>Total 2020 CO Issuance (I&amp;S)</strong></td>
<td><strong>$20,750,000</strong></td>
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**NOTE:** This page was inserted after Agenda Packet was distributed on Friday, June 19, 2020.
RESOLUTION NO. _____

RESOLUTION AUTHORIZING PUBLICATION AND POSTING OF NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION TO FINANCE VARIOUS PUBLIC IMPROVEMENTS

THE STATE OF TEXAS §
COUNTY OF ARANSAS §
CITY OF ROCKPORT §

WHEREAS, the City Council of the CITY OF ROCKPORT, TEXAS (the "City") has determined that it is necessary and desirable to finance all or a portion of the following projects (collectively, the "Projects"):  

(i) acquire, construct and equip a new City Hall;  
(ii) acquire, construct, equip, and repair various improvements to City-owned facilities including improvements at Memorial Park, the Community Aquatic and Skate Park, and the City owned youth center;  
(iii) construct street, curb, and sidewalk improvements at various locations in the City, together with utility relocation and/or drainage improvements related or incidental thereto, and acquire easements relating to the Key Allegro Bridge;  
(iv) construct, equip and repair drainage improvements;  
(v) acquire RSC dispatch consoles and related infrastructure for a backup dispatch center; and  
(vi) acquire vehicles and other equipment for various City departments; and  

WHEREAS, the City Council of the City intends to finance the Projects from proceeds derived from the sale of one or more series of Combination Tax and Revenue Certificates of Obligation issued by the City pursuant to Sections 271.041 - 271.064, Texas Local Government Code, as amended; and  

WHEREAS, pursuant to Section 271.049, Texas Local Government Code, the City Council deems it advisable to give notice of intention to issue certificates of obligation in an amount not to exceed an aggregate of $20,750,000 for the purpose of paying, in whole or in part, the Projects, to pay all or a portion of the legal, fiscal and engineering fees in connection with the Projects, and to pay the costs of issuance related to the certificates of obligation; and  

WHEREAS, it is hereby officially found and determined that the meeting at which this resolution was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;
THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ROCKPORT, TEXAS:

SECTION 1. APPROVAL OF NOTICE OF INTENTION. Attached hereto as Exhibit A is a form of the Notice of Intention to Issue Combination Tax and Revenue Certificates of Obligation (the "Notice"), the form and substance of which is hereby adopted and approved. The City Manager and the City Secretary of the City are each authorized to make changes to the Notice as necessary prior to its publication and posting as described in Sections 3 and 4 below.

SECTION 2. DESIGNATION OF SELF-SUPPORTING DEBT. In connection with providing the information contained in the Notice approved in Section 1 above, attached hereto as Exhibit B is a list of outstanding debt obligations of the City which the City hereby designates as self-supporting debt for the purposes of Section 271.049(e), Texas Local Government Code.

SECTION 3. PUBLICATION OF NOTICE OF INTENTION IN NEWSPAPER. The City Secretary shall cause the Notice to be published in substantially the form attached hereto in a newspaper, as defined by Subchapter C, Chapter 2051, Government Code, that is of general circulation in the area of the City, on the same day in each of two consecutive weeks, the date of the first publication thereof to be at least 46 days before the date tentatively set for the passage of the ordinance authorizing the issuance of such certificates of obligation as shown in the Notice.

SECTION 4. POSTING OF NOTICE OF INTENTION ON CITY'S WEBSITE. The City Secretary shall further cause the Notice to be posted on the City's internet website beginning at least 45 days before, and continuing through, the date tentatively set for the passage of the ordinance authorizing the issuance of such certificates of obligation as shown in the Notice.

SECTION 5. INCORPORATION OF RECITALS. The City Council hereby finds that the statements set forth in the recitals of this Resolution are true and correct, and the City Council hereby incorporates such recitals as a part of this Resolution.

SECTION 6. EFFECTIVE DATE. This Resolution shall become effective immediately upon passage.

By: _______________________________

Mayor
City of Rockport, Texas

Attest:

__________________________________
City Secretary
City of Rockport, Texas

(Seal)
EXHIBIT A

CITY OF ROCKPORT, TEXAS
NOTICE OF INTENTION TO ISSUE
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION

The City Council of the City of Rockport, Texas (the "City") does hereby give notice of intention to issue one or more series of City of Rockport, Texas Combination Tax and Revenue Certificates of Obligation (the "Certificates") in the maximum aggregate principal amount not to exceed $20,750,000 for the purpose of paying, in whole or in part, contractual obligations to: (i) acquire, construct and equip a new City Hall; (ii) acquire, construct, equip, and repair various improvements to City-owned facilities including improvements at Memorial Park, the Community Aquatic and Skate Park, and the City owned youth center; (iii) construct street, curb, and sidewalk improvements at various locations in the City, together with utility relocation and/or drainage improvements related or incidental thereto, and acquire easements relating to the Key Allegro Bridge; (iv) construct, equip and repair drainage improvements; (v) acquire RSC dispatch consoles and related infrastructure for a backup dispatch center; and (vi) acquire vehicles and equipment for various City departments (collectively, the "Projects"), and for paying all or a portion of the legal, fiscal and engineering fees in connection with the Projects and the costs of issuance related to such Certificates. The City proposes to provide for the payment of such Certificates from the levy and collection of ad valorem taxes in the City as provided by law and from a lien on and pledge of "Surplus Revenues," if any, received by the City from the ownership and operation of the City's waterworks and sanitary sewer system. The current principal of all currently outstanding debt obligations of the City is $15,497,413, the combined principal and interest required to pay all currently outstanding debt obligations of the City on time and in full is $18,761,066, the estimated combined principal and interest required to pay the proposed Certificates on time and in full is $29,502,372, the estimated interest rate for the Certificates is 3.50% per annum, and the maximum maturity date of the proposed Certificates is February 15, 2040 (The prior statements regarding currently outstanding debt obligations of the City do not include debt that the City has designated as self-supporting and payable from revenues other than ad valorem taxes. For more information regarding the debt designated as self-supporting, please contact the City's Finance Director.) The City Council proposes to authorize the issuance of such Certificates at 6:30 p.m. on Tuesday, August 11, 2020, at a Regular Meeting, at the City Hall, Rockport, Texas.

/s/ Patrick R. "Pat" Rios
Mayor, City of Rockport, Texas
## EXHIBIT B

<table>
<thead>
<tr>
<th>Title of Obligations</th>
<th>Outstanding Principal Amount ($)</th>
<th>Amount Designated as Self-Supporting ($)</th>
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<tbody>
<tr>
<td>General Obligation Refunding Bonds, Series 2010</td>
<td>340,000</td>
<td>169,728</td>
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<tr>
<td>General Obligation Refunding Bonds, Series 2012</td>
<td>3,870,000</td>
<td>1,634,688</td>
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<tr>
<td>Combination Tax and Revenue COs, Series 2014</td>
<td>5,315,000</td>
<td>1,133,158</td>
</tr>
<tr>
<td>General Obligation Refunding Bonds, Series 2014</td>
<td>2,775,000</td>
<td>1,413,863</td>
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<tr>
<td>General Obligation Refunding Bonds, Series 2015</td>
<td>3,875,000</td>
<td>826,150</td>
</tr>
<tr>
<td>Combination Tax and Revenue Cos, Series 2015</td>
<td>1,600,000</td>
<td>0</td>
</tr>
<tr>
<td>Combination Tax and Revenue Cos, Series 2016</td>
<td>2,900,000</td>
<td>0</td>
</tr>
<tr>
<td>General Obligation Refunding Bonds, Series 2017</td>
<td>5,610,000</td>
<td>5,610,000</td>
</tr>
<tr>
<td>Totals</td>
<td>26,285,000</td>
<td>10,787,587</td>
</tr>
</tbody>
</table>
CERTIFICATE FOR RESOLUTION

THE STATE OF TEXAS
COUNTY OF ARANSAS
CITY OF ROCKPORT

I, the undersigned City Secretary of the CITY OF ROCKPORT, TEXAS (the "City"), hereby certify as follows:

1. The City Council of the City (the "City Council") convened in Regular Meeting on June 23, 2020, [at the City Hall] [by video conference/teleconference as authorized by the Governor of the State of Texas] (the "Meeting"), and the roll was called of the duly constituted officers and members of the City Council, to wit:

   Patrick Rios, Mayor          Bob Cunningham
   J.D. Villa, Mayor Pro Tem    Andrea Hattman
   Mike Saski

   and all of said officers and members of the City Council were present, except the following absentees: ___________________________________________________________________________________________, thus constituting a quorum. Whereupon, among other business, the following was transacted at the Meeting: a written Resolution No. _______ (the "Resolution") entitled

   RESOLUTION AUTHORIZING PUBLICATION AND POSTING OF NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION TO FINANCE VARIOUS PUBLIC IMPROVEMENTS

   was duly introduced for the consideration of the City Council. It was then duly moved and seconded that the Resolution be adopted; and, after due discussion, said motion carrying with it the adoption of the Resolution, prevailed and carried by the following vote:

   AYES: _____ NOES: _____ ABSTENTIONS: _____

2. A true, full and correct copy of the Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; the Resolution has been duly recorded in the City Council's minutes of the Meeting; the above and foregoing paragraph is a true, full and correct excerpt from the City Council's minutes of the Meeting pertaining to the passage of the Resolution; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of the City Council as indicated therein; each of the officers and members of the City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the Meeting, and that the Resolution would be introduced and considered for passage at the Meeting, and each of said officers and members consented, in advance, to the holding of the Meeting for such purpose; and the Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Texas Government Code.

   SIGNED AND SEALED the 23rd day of June, 2020.

(SEAL)  City Secretary, City of Rockport, Texas
AGENDA ITEM: 12

Deliberate and act on an Ordinance of the City Council of the City of Rockport, Texas, extending a Declaration of Local Disaster for the period of June 23 – July 14, 2020; establishing rules and regulations for the duration of the disaster; restricting certain activities; and establishing penalties for violations.

SUBMITTED BY: City Manager Kevin Carruth

APPROVED FOR AGENDA: PKC

BACKGROUND: Mayor Rios declared the original state of disaster for the City of Rockport beginning March 16, 2020. Texas Government Code Section 418.108(b) states that the state of disaster shall continue for a period of not more than seven days from the date of this declaration unless continued or renewed with the consent of the governing body of the political subdivision. The original Disaster Declaration expired on March 22, 2020. On March 24, 2020, City Council adopted an Ordinance continuing and renewing the Disaster Declaration for the period of March 23 – April 14, 2020; on April 14, 2020, they adopted an Ordinance continuing and renewing the Disaster Declaration for the period of April 14, 2020 – May 4, 2020; on April 28, 2020, they adopted an Ordinance continuing and renewing the Disaster Declaration for the period of May 4, 2020 – May 12, 2020; on May 12, 2020 they adopted an Ordinance continuing and renewing the Disaster Declaration for the period of May 12, 2020 – May 26, 2020; on May 26, 2020, they adopted an Ordinance continuing and renewing the Disaster Declaration for the period of May 26, 2020 – June 9, 2020; and on June 9, 2020, they adopted an Ordinance continuing and renewing the Disaster Declaration for the period of June 9, 2020 – June 23, 2020. The proposed Ordinance continues and renews the Disaster Declaration for the period of June 23, 2020 – July 14, 2020, matches other orders that will also be extended.

FISCAL ANALYSIS: N/A

RECOMMENDATION: Staff recommends Council adopt the Ordinance extending a Declaration of Local Disaster for the period of June 23, 2020 – July 14, 2020; establishing rules and regulations for the duration of the disaster; restricting certain activities; and establishing penalties for violations, as presented.
ORDINANCE NO.

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF ROCKPORT, TEXAS, EXTENDING A DECLARATION OF LOCAL DISASTER FOR THE PERIOD OF JUNE 23 – JULY 14, 2020; ESTABLISHING RULES AND REGULATIONS FOR THE DURATION OF THE DISASTER; RESTRICTING CERTAIN ACTIVITIES; AND ESTABLISHING PENALTIES FOR VIOLATIONS.

WHEREAS, in December 2019 a novel coronavirus, now designated COVID-19, was detected in Wuhan City, Hubei Province, China. Symptoms of COVID-19 include fever, cough, and shortness of breath. Outcomes have ranged from mild to severe illness, and in some cases death; and

WHEREAS, on January 30, 2020, the World Health Organization Director General declared the outbreak of COVID-19 as a Public Health Emergency of International Concern (PHEIC), advising countries to prepare for the containment, detection, isolation and case management, contact tracing and prevention of onward spread of the disease; and

WHEREAS, on March 5, 2020, the World Health Organization Director General urged aggressive preparedness and activation of emergency plans to aggressively change the trajectory of this epidemic; and

WHEREAS, on March 11, 2020, the World Health Organization declared that the COVID-19 outbreak should be characterized as pandemic; and

WHEREAS, the Center for Disease Control and Prevention is closely monitoring the growing number of COVID-19 cases that have spread into the United States; and

WHEREAS, over 1,629 cases of COVID-19 have been reported in the United States, including 41 deaths; and

WHEREAS, a large gathering of unidentifiable individuals without necessary mitigation for the spread of infection may pose a risk of the spread of infectious disease; and

WHEREAS, President Trump declared a national emergency on March 13, 2020; and

WHEREAS, Governor Greg Abbott declared a public health disaster on March 13, 2020; and

WHEREAS, the Center for Disease Control recommends that citizens stop handshaking, clean hands at the door, schedule regular hand washing, avoid touching faces and cover coughs and sneezes, disinfect surfaces like doorknobs, tables, desks, and handrails regularly, and increase ventilation by opening windows or adjusting air conditioning; and

WHEREAS, the Center for Disease Control recommends the use of videoconferencing for meetings when possible, and adjusting or postponing large meetings or gatherings; and
WHEREAS, the Center for Disease Control recommends citizens stay home if they are feeling sick or when they have a sick family member in their home; and

WHEREAS, households with vulnerable seniors and those with underlying health conditions should conduct themselves as if they were a significant risk to the person with underlying conditions; and

WHEREAS, the identification of “community spread” cases of COVID-19 in the United States could has signaled that transmission of the virus is no longer limited to those who traveled to China, or had contact with travelers who have visited china; and

WHEREAS, the COVID-19 virus spreads between people who are in close contact with one another through respiratory droplets produced when an infected person coughs or sneezes; and

WHEREAS, the continued worldwide spread of COVID-19 presents an imminent threat of widespread illness, which requires emergency action; and

WHEREAS, a declaration of local disaster includes the ability to take measures to reduce the possibility of exposure to disease, control the risk, and promote the health and safety of Rockport residents; and

WHEREAS, the City of Rockport will work collaboratively with Aransas County to ensure that all appropriate and necessary measures are taken to limit the development, contraction and spread of COVID-19; and

WHEREAS, pursuant to the Texas Disaster Act of 1975, the Mayor is designated as the emergency management director of the City of Rockport, and may exercise the powers granted to the governor on an appropriate local scale; and

WHEREAS, a declaration of local disaster and public health emergency includes the ability to reduce the possibility of exposure to disease, control the risk, promote health, compel persons to undergo additional health measures that prevent or control the spread of disease, including isolation, surveillance, quarantine, or placement of persons under public health observation, including the provision of temporary housing or emergency shelters for persons misplaced or evacuated and request assistance from the governor of state resources; and

WHEREAS, the Mayor has made a Declaration of Public Health Emergency, and further declared all rules and regulations that may inhibit or prevent prompt response to this threat suspended for the duration of the incident; and

WHEREAS, the Mayor, under the Texas Disaster Act of 1975, has authorized the use of all available resources of state government and political subdivisions to assist in the City’s response to this situation; and

WHEREAS, the Mayor has determined that extraordinary and immediate measures must be taken to respond quickly, prevent and alleviate the suffering of people exposed to and those infected with the virus, as well as those that could potentially be infected or impacted by COVID-19.
WHEREAS, Pursuant to §418.108(b) of the Government Code, Mayor Patrick R. Rios, on March 24, 2020, renewed and extended the local state of disaster and public health emergency for the period of March 24 – April 14, 2020, declared for the City of Rockport, Texas, pursuant to §418.108(a) of the Texas Government Code.

WHEREAS, Pursuant to §418.108(b) of the Government Code, Mayor Patrick R. Rios, on April 14, 2020, renewed and extended the local state of disaster and public health emergency for the period of April 14 – May 4, 2020, declared for the City of Rockport, Texas, pursuant to §418.108(a) of the Texas Government Code.

WHEREAS, Pursuant to §418.108(b) of the Government Code, Mayor Patrick R. Rios, on April 28, 2020, renewed and extended the local state of disaster and public health emergency for the period of May 4 – May 12, 2020, declared for the City of Rockport, Texas, pursuant to §418.108(a) of the Texas Government Code.

WHEREAS, Pursuant to §418.108(b) of the Government Code, Mayor Patrick R. Rios, on May 12, 2020, renewed and extended the local state of disaster and public health emergency for the period of May 12 – May 26, 2020, declared for the City of Rockport, Texas, pursuant to §418.108(a) of the Texas Government Code.

WHEREAS, Pursuant to §418.108(b) of the Government Code, Mayor Patrick R. Rios, on May 26, 2020, renewed and extended the local state of disaster and public health emergency for the period of May 26 – June 9, 2020, declared for the City of Rockport, Texas, pursuant to §418.108(a) of the Texas Government Code.

WHEREAS, Pursuant to §418.108(b) of the Government Code, Mayor Patrick R. Rios, on June 9, 2020, renewed and extended the local state of disaster and public health emergency for the period of June 9 – June 23, 2020, declared for the City of Rockport, Texas, pursuant to §418.108(a) of the Texas Government Code.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ROCKPORT, TEXAS:

Section 1. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Ordinance for all purposes and are adopted as a part of the judgment and findings of the City Council.

Section 2. The local state of disaster and public health emergency declared by Mayor Patrick R. Rios for the City of Rockport, Texas, pursuant to §418.108(a) of the Texas Government Code is hereby renewed and extended for a period of June 9, 2020 – June 23, 2020, pursuant to §418.108(b) of the Government Code.

Section 3. Pursuant to §418.108(c) of the Government Code, this declaration of a local state of disaster and public health emergency shall be given prompt and general publicity and shall be filed promptly with the City Secretary.

Section 4. Pursuant to §418.108(d) of the Government Code, this declaration of a local state of disaster and public health emergency activates the City of Rockport emergency management plan.

Section 5. Pursuant to §418.020(c) of the Government Code, this declaration authorizes the
City to commandeer or use any private property, temporarily acquire, by lease or other means, sites required for temporary housing units or emergency shelters for evacuees, subject to compensation requirements.

**Section 6.** Pursuant to §122.006 of the Health and Safety Code, this declaration authorizes the City to take any actions necessary to promote health and suppress disease, including quarantine, examining and regulating hospitals, regulating ingress and egress from the City, and fining those who do not comply with the City’s rules.

**Section 7.** All ordinances or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed to the extent of such conflict, and the provisions of this Ordinance shall be and remain controlling as to the matters herein.

**Section 8.** This Ordinance shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

**Section 9.** If any provision of this Ordinance or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Ordinance and the application of such provision to other persons and circumstances shall nevertheless be valid, and the City Council hereby declares that this Ordinance would have been enacted without such invalid provision.

**Section 10.** It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by Chapter 551, Texas Government Code, as amended.

**Section 11.** This Ordinance shall be in force and effect from and after its final passage, and any publication required by law.

**PASSED, ADOPTED, APPROVED, AND EFFECTIVE THE 23rd DAY of JUNE 2020.**

CITY OF ROCKPORT, TEXAS

_________________________________
Patrick R. Rios, Mayor

ATTEST:

_________________________________
Teresa Valdez, City Secretary
CITY COUNCIL AGENDA
Regular Meeting: Tuesday, June 23, 2020

AGENDA ITEM: 13

Deliberate and act on the Texas Municipal League Health Benefits Rerate Notice for active employees and Pre-65 retired employees not eligible for Medicare.

SUBMITTED BY: Assistant City Secretary Ruby Beaven

APPROVED FOR AGENDA: PKC

BACKGROUND: Section 40-65 of the Employee Handbook states that “All full-time employees and all retired employees are provided with medical insurance for which an employee contribution may be required”. In 2019, the City of Rockport restructured the health benefits package to be competitive with our surrounding communities and attract and retain quality employees. In June 2019, council approved the City of Rockport to pay 100% of the active employee premiums and the employee is responsible to pay full dependent plan premiums. The Pre-65 retiree is responsible for the retiree premium as outlined for retires and is responsible to pay full dependent plan premiums.

Medical
The monthly group medical insurance premium for active employees and Pre-65 retired employees not eligible for Medicare increased by six percent.

There is one major change in the plan for the 2020-2021 plan year. TML Health Benefits has partnered with Navitus a pharmacy benefit manager (PBM). The new PBM change will go into effect on January 01, 2021, and will have more favorable rates for prescription drugs; however, the pharmacy network will be narrower. HEB and Wal-Mart Pharmacies will continue to be in the network but Walgreens will be dropped. See the accompanying rerate notice for additional information.

<table>
<thead>
<tr>
<th>Covered Life</th>
<th>Current Rate</th>
<th>New Rate</th>
<th>% +/-</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employee</td>
<td>$612.56</td>
<td>$649.32</td>
<td>+ 6%</td>
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<tr>
<td>+Active Employee Spouse</td>
<td>$630.94</td>
<td>$668.80</td>
<td>+ 6%</td>
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<td>+Active Employee Child(ren)</td>
<td>$465.56</td>
<td>$493.50</td>
<td>+ 6%</td>
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<td>+Active Employee Family</td>
<td>$1,194.50</td>
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<td>Voluntary Pre-65 Retiree</td>
<td>$1,194.50</td>
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<td>+ 6%</td>
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<tr>
<td>+Voluntary Pre-65 Retiree Spouse</td>
<td>$1,230.34</td>
<td>$1,304.16</td>
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<td>+Voluntary Pre-65 Retiree Child(ren)</td>
<td>$907.84</td>
<td>$962.32</td>
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<td>+Voluntary Pre-65 Retiree Family</td>
<td>$2,329.28</td>
<td>$2,469.04</td>
<td>+ 6%</td>
</tr>
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Dental
The City is currently enrolled in Dental III. The group dental insurance premium for active employees did not increase and neither did the retiree rates for the plan year 2020-2021. The
Dental III plan is currently an active employee only employer paid plan and the Pre-65 Retiree is responsible for full premium. See the accompanying rerate notice for additional information.

<table>
<thead>
<tr>
<th>Covered Life</th>
<th>Current Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employee</td>
<td>$37.64</td>
<td>$37.64</td>
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<tr>
<td>+Active Employee Spouse</td>
<td>$39.62</td>
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<tr>
<td>+Active Employee Child(ren)</td>
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<tr>
<td>+Active Employee Family</td>
<td>$77.90</td>
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<tr>
<td>Voluntary Pre-65 Retiree</td>
<td>$67.90</td>
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<td>+Voluntary Pre-65 Retiree Spouse</td>
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<td>+Voluntary Pre-65 Retiree Child(ren)</td>
<td>$78.62</td>
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<tr>
<td>+Voluntary Pre-65 Retiree Family</td>
<td>$140.48</td>
<td>$140.48</td>
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</tbody>
</table>

Vision
The City is currently enrolled in Vision B. The group vision insurance premium for active and retired employees did not increase for the plan year 2020-2021. The Vision plan is currently an active employee only employer paid plan and the Pre-65 Retiree is responsible for full premium. See the accompanying rerate notice for additional information.

<table>
<thead>
<tr>
<th>Covered Life</th>
<th>Current Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Active Employee</td>
<td>$9.00</td>
<td>$9.00</td>
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<tr>
<td>Active Employee Family</td>
<td>$18.00</td>
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<tr>
<td>Voluntary Pre-65 Employee</td>
<td>$15.12</td>
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<tr>
<td>Voluntary Pre-65 Family</td>
<td>$30.20</td>
<td>$30.20</td>
</tr>
</tbody>
</table>

**FISCAL ANALYSIS:** Medical – The medical plan is an active employee only employer paid plan and to enroll in Medical the City would be responsible for the active employee rate of $649.32 per month. The estimated total additional cost to the City for active employee group medical coverage is $36.76 per employee or $52,052 per fiscal plan year. The employee is responsible for the family rates. The Pre-65 retiree is responsible for the retiree rate as outlined for retires and is responsible to pay full dependent plan rates.

Dental - The dental plan is an active employee only employer paid plan and to enroll in Dental III the City would be responsible for the active employee rate of $37.64 per month. The employee is responsible for the family plan. The Pre-65 retiree is responsible for both the retiree and/or the family rates.

Vision - The vision plan is an active employee only employer paid plan and to enroll in Vision B the City would be responsible for the active employee rate of $9.00 per month. The employee is responsible for the family plan. The Pre-65 retiree is responsible for both the retiree and/or the family rates.

**RECOMMENDATION:** Staff recommends Council approve the 2020-2021 Texas Municipal League Health Benefits rerate for employee health benefits, as presented.
May 29, 2020

CITY OF ROCKPORT
2751 STATE HWY 35 BYPASS
ROCKPORT, TX 78382

Dear Ruby Beaven:

It’s already been a year, and now it’s time to renew your employee benefit coverage with TML Health. Over the last few months, we have made a lot of changes with the goal of serving you better and simplifying healthcare. But one thing will never change: the Pool is owned by and governed by its members through the TML Health Board of Trustees, which gives you a level of ownership, partnership, and control that isn’t available in the commercial market.

We understand the challenges you face as a public entity and we partner with you to help you have a healthy and productive workforce that can meet the demands of your constituents. TML Health brings members together to provide quality healthcare benefits for employees and their families at an exceptional value. By being part of TML Health, you have the support, expertise, employer resources, and purchasing power that is typically only available to very large employers.

I’d like to highlight a few key items for the new plan year that will help keep your benefit costs in check while keeping your employees as healthy as possible:

- TML Health has reduced the administrative budget and adopted new programs that will help keep your rates stable.
- The TML Health board has voted to avoid passing any costs related to COVID-19 on to member groups through rate adjustments. This means you will not see any rate increase due to COVID-19 claims at this time. Leveraging the Pool’s strength and ability to absorb risk, we will offset these costs for you to maintain rates as low as possible.
- TML Health recently completed an RFP for a pharmacy benefit manager (PBM) and has negotiated more favorable rates for prescription drugs with our new partner Navitus. The new PBM contract will be effective on January 1, 2021 and all Pool members will move to Navitus at that time. The anticipated pharmacy savings are reflected in your new rates. Watch for more information about the transition in the 4th quarter of this year.
- We are committed to wellness and keeping your employees healthy, so there are three ways for employees to earn the $150 TML Well reward by engaging in healthy activities. We are also continuing to offer weight loss support through Naturally Slim, a comprehensive disease management program, a 24/7 nurse line, maternity management, and onsite medical screenings through Catapult (where we can screen at least 25 employees at a time). Teladoc is also standard with all our benefit plans, so your employees have access to a doctor anytime, anywhere.
- We’ve redesigned our benefit booklets to make them easier to read and understand.
• We understand your operations may be impacted by COVID-19, and to accommodate this, TML Health can conduct virtual or video-conference open enrollment meetings for your employees. This year, your employees can also enroll over the phone.

Recognizing that many members’ budgets are impacted by the economic conditions caused by the coronavirus pandemic, we are offering a comprehensive menu of benefit plan options to fit your budget. Your renewal team will reach out to you by 07/07/2020 to complete your renewal electronically. If you have any questions regarding the renewal process, please contact Victor Diaz at 512-719-6793.

Please complete the Annual Renewal Sheet, along with the attached relevant forms, and return it to us by 07/07/2020.

For faster processing, please return the signed form via email to TMLHealthMarketing@tmlhb.org. However, you also have the option to fax it to (512) 719-6520. If you have any questions regarding the renewal process, please contact Victor Diaz at 512-719-6793.

To locate a copy of your renewal and additional forms:

➢ Go to https://secure.healthx.com/s/HR_Pool_Renewals and log into your work account.
➢ You will be taken straight to the renewals section. From there, click on the “2020” folder and find your renewal documents.

If you are interested in considering other benefit plan designs, please contact Victor Diaz at 512-719-6793. In order to ensure your benefits are set up in time for your open enrollment period, we need to have your benefit decisions at least 90 days before your anniversary date. If we are notified later, then the effective date and ID cards may be delayed. We will distribute ID cards, the Schedule of Benefits and Coverage (SBC), and your open enrollment materials once we have received a signed Renewal Notice.

Thank you for choosing to partner with TML Health again this year. The Trustees and TML Health staff look forward to serving you, your employees, and retirees during this new plan year.

Respectfully,

Jennifer Hoff
Executive Director
## Medical

### Employer Group Medical Plan

<table>
<thead>
<tr>
<th>Plan</th>
<th>Benefit Percent</th>
<th>In Net Ded</th>
<th>Out Net Ded</th>
<th>In Net OOP*</th>
<th>Office Visit</th>
<th>Rates</th>
<th>Current</th>
<th>New</th>
<th>195% of Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copay-1K-3K ER-Mac A</td>
<td>80/50</td>
<td>$1000</td>
<td>$2000</td>
<td>$3000</td>
<td>$30</td>
<td>EE Only:</td>
<td>$612.56</td>
<td>$649.32</td>
<td>$1,266.16</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>EE + Spouse:</td>
<td>$1,243.50</td>
<td>$1,318.12</td>
<td>$2,570.32</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>EE + Child(ren):</td>
<td>$1,078.12</td>
<td>$1,142.82</td>
<td>$2,228.48</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>EE + Family:</td>
<td>$1,807.06</td>
<td>$1,915.50</td>
<td>$3,735.20</td>
</tr>
</tbody>
</table>

*In Network Deductible applies towards In Network OOP.

### Monthly Employer Contribution Amounts

TML Health requires 60% employer contribution toward employee medical – Minimum employer contribution is $389.59

<table>
<thead>
<tr>
<th>Employee</th>
<th>Spouse</th>
<th>Child</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Dental III

<table>
<thead>
<tr>
<th>Rates</th>
<th>Current</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE Only:</td>
<td>$37.64</td>
<td>$37.64</td>
</tr>
<tr>
<td>EE + Spouse:</td>
<td>$77.26</td>
<td>$77.26</td>
</tr>
<tr>
<td>EE + Child(ren):</td>
<td>$81.22</td>
<td>$81.22</td>
</tr>
<tr>
<td>EE + Family:</td>
<td>$115.54</td>
<td>$115.54</td>
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</tbody>
</table>

### Vision B

<table>
<thead>
<tr>
<th>Rates</th>
<th>Current</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE Only:</td>
<td>$9.00</td>
<td>$9.00</td>
</tr>
<tr>
<td>EE + Family:</td>
<td>$27.00</td>
<td>$27.00</td>
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</table>

### Basic Life and AD&D: Plan 9 ($15,000)

<table>
<thead>
<tr>
<th>Current Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life:</td>
<td>$0.194</td>
</tr>
<tr>
<td>AD&amp;D:</td>
<td>$0.040</td>
</tr>
</tbody>
</table>
### Additional Employee Life and AD&D

<table>
<thead>
<tr>
<th>Age of Employee</th>
<th>Current Rate per $1000</th>
<th>New Rate per $1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 30</td>
<td>0.061</td>
<td>0.061</td>
</tr>
<tr>
<td>30 - 34</td>
<td>0.069</td>
<td>0.069</td>
</tr>
<tr>
<td>35 - 39</td>
<td>0.100</td>
<td>0.100</td>
</tr>
<tr>
<td>40 - 44</td>
<td>0.130</td>
<td>0.130</td>
</tr>
<tr>
<td>45 - 49</td>
<td>0.198</td>
<td>0.198</td>
</tr>
<tr>
<td>50 - 54</td>
<td>0.332</td>
<td>0.332</td>
</tr>
<tr>
<td>55 - 59</td>
<td>0.595</td>
<td>0.595</td>
</tr>
<tr>
<td>60 - 64</td>
<td>0.913</td>
<td>0.913</td>
</tr>
<tr>
<td>65 - 69</td>
<td>1.513</td>
<td>1.513</td>
</tr>
<tr>
<td>70 and over</td>
<td>2.431</td>
<td>2.431</td>
</tr>
</tbody>
</table>

### Dependent Life: Plan 1 ($2,000/$1,000)

<table>
<thead>
<tr>
<th></th>
<th>Current Rate</th>
<th>New Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0.70 per dependent unit</td>
<td>$0.70 per dependent unit</td>
<td></td>
</tr>
</tbody>
</table>

### Voluntary AD&D

No Voluntary AD&D Coverage

### LTD

No LTD Coverage

### STD

No STD Coverage

### Pre-65 Retiree Medical

Retirees at 195% of Active Plan

<table>
<thead>
<tr>
<th>Employer Contribution for Pre-65 Retirees</th>
<th>Employee</th>
<th>Spouse</th>
<th>Child</th>
<th>Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount % of Rate</td>
<td>Amount % of Rate</td>
<td>Amount % of Rate</td>
<td>Amount % of Rate</td>
<td></td>
</tr>
<tr>
<td>$_______ or ____%</td>
<td>$_______ or ____%</td>
<td>$_______ or ____%</td>
<td>$_______ or ____%</td>
<td></td>
</tr>
</tbody>
</table>

### Pre-65 Dental III 100% Participation

<table>
<thead>
<tr>
<th>Rates</th>
<th>Current</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE Only:</td>
<td>$67.90</td>
<td>$67.90</td>
</tr>
<tr>
<td>EE + Spouse:</td>
<td>$139.38</td>
<td>$139.38</td>
</tr>
<tr>
<td>EE + Child(ren):</td>
<td>$146.52</td>
<td>$146.52</td>
</tr>
<tr>
<td>EE + Family:</td>
<td>$208.38</td>
<td>$208.38</td>
</tr>
</tbody>
</table>

### Pre-65 Voluntary Vision B

<table>
<thead>
<tr>
<th>Rates</th>
<th>Current</th>
<th>New</th>
</tr>
</thead>
<tbody>
<tr>
<td>EE Only:</td>
<td>$15.12</td>
<td>$15.12</td>
</tr>
<tr>
<td>EE + Family:</td>
<td>$45.32</td>
<td>$45.32</td>
</tr>
</tbody>
</table>
The entity named on this Rerate and Benefit Verification Form desires large claim information as specified in Article 21.49-15 of the Insurance Code in Section 2.(2), to be for individual claims that reach or exceed $35,000 during the plan year. This information is considered confidential for purposes of Chapter 552 of the Local Government Code.

The rates are based on census information five months prior to plan year. If the census changes by more than 10%, TML Health reserves the right to revise rates due to census change and underwriting impact.

### Signature Section

The undersigned employer hereby acknowledges that for an employee to receive coverage, TML Health must receive enrollment information within thirty-one (31) days of the commencement of employment regardless of whether the Employer has a waiting or a waiting and orientation period. If an employee is not enrolled within thirty-one (31) days of hire, the employee cannot be added to the Plan until the next Open Enrollment period or a qualifying event occurs.

---

**Basic & Additional Retiree Life**

<table>
<thead>
<tr>
<th>Age of Employee</th>
<th>Current Rate per $1000</th>
<th>New Rate per $1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 45</td>
<td>0.228</td>
<td>0.228</td>
</tr>
<tr>
<td>45 - 49</td>
<td>0.329</td>
<td>0.329</td>
</tr>
<tr>
<td>50 - 54</td>
<td>0.519</td>
<td>0.519</td>
</tr>
<tr>
<td>55 - 59</td>
<td>0.873</td>
<td>0.873</td>
</tr>
<tr>
<td>60 - 64</td>
<td>1.240</td>
<td>1.240</td>
</tr>
<tr>
<td>65 - 69</td>
<td>1.961</td>
<td>1.961</td>
</tr>
<tr>
<td>70 - 74</td>
<td>3.226</td>
<td>3.226</td>
</tr>
<tr>
<td>75 - 79</td>
<td>5.376</td>
<td>5.376</td>
</tr>
<tr>
<td>80 - 84</td>
<td>8.223</td>
<td>8.223</td>
</tr>
<tr>
<td>85 - 89</td>
<td>12.587</td>
<td>12.587</td>
</tr>
<tr>
<td>90 - 94</td>
<td>18.342</td>
<td>18.342</td>
</tr>
<tr>
<td>95 and over</td>
<td>37.823</td>
<td>37.823</td>
</tr>
</tbody>
</table>

---

**Retiree Dependent Life**

No Retiree Dependent Life Coverage

---

**Continuation of Coverage (Cobra)**

Yes

---

**Benefit Waiting Period**

None

---

**Flex, HRA, HSA & RRA**

<table>
<thead>
<tr>
<th></th>
<th>Flex Admin</th>
<th>HRA Admin</th>
<th>HSA Admin</th>
<th>RRA Admin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flex Admin</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

If employer accesses Flex and/or HRA, HSA or RRA, only one charge of $3.70 per participant per month will be incurred.

---

**Signature Section**

The undersigned employer hereby acknowledges that for an employee to receive coverage, TML Health must receive enrollment information within thirty-one (31) days of the commencement of employment regardless of whether the Employer has a waiting or a waiting and orientation period. If an employee is not enrolled within thirty-one (31) days of hire, the employee cannot be added to the Plan until the next Open Enrollment period or a qualifying event occurs.

---

**Tax ID Number**

746002000

---

**Authorized Signature**

---

**Date**

---

**Printed Name**

---

**Title**

---

The entity named on this Rerate and Benefit Verification Form desires large claim information as specified in Article 21.49-15 of the Insurance Code in Section 2.(2), to be for individual claims that reach or exceed $35,000 during the plan year. This information is considered confidential for purposes of Chapter 552 of the Local Government Code.

The rates are based on census information five months prior to plan year. If the census changes by more than 10%, TML Health reserves the right to revise rates due to census change and underwriting impact.
Our mission is to bring members together to provide quality healthcare benefits for you and your family at an exceptional value.

Our commitment to you:

- Fast response time
- Easy to understand benefits
- Customer service that can’t be beat

We know healthcare can be complicated. That’s why we give you healthcare benefits that are easy to use and understand.

### Prescription Drug Plan

- Managing drug costs with better clinical outcomes.
- Strong incentives for low-cost generic utilization.
- Broad pharmacy network through OptumRx.

<table>
<thead>
<tr>
<th>Copay Structure</th>
<th>Per 30 days retail or mail order:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disease Mgmt Maintenance generic drugs</td>
<td>$0</td>
</tr>
<tr>
<td>Generic</td>
<td>$10</td>
</tr>
<tr>
<td>Preferred Brand</td>
<td>$40</td>
</tr>
<tr>
<td>Non-Preferred Brand</td>
<td>$70</td>
</tr>
<tr>
<td>Specialty / Biosimilar / Biotech</td>
<td>$100</td>
</tr>
<tr>
<td>Cost Share</td>
<td>$150</td>
</tr>
</tbody>
</table>
We’re simplifying the world of healthcare and making it easier for you with:

- Dedicated health coaches who can guide you through your health concerns at no additional cost for the following conditions: Asthma, Health Failure and Heart Disease, Diabetes, Hypertension, COPD and Depression.
- 24/7 Access to care through Teladoc. Available for $0 copay for general medicine on most plans. Behavioral Health and Dermatology available for a higher copay.
- Online tools and resources to help employees know the cost of treatment.
- Clear and simple communication materials.
- Broad provider network through United Healthcare.

**Classic Plans**

- PPO Plans with 80% Network and 50% Out-of-Network benefit after deductible is met.
- Teladoc copay is $0 for general medicine.
- Out-of-Network deductibles also accumulate to the Network Out-of-Pocket maximum.
- Paired with Prescription Copay Plan.

<table>
<thead>
<tr>
<th>Plan Name</th>
<th>Network/Out-Of-Network %</th>
<th>Individual Network Deductible†</th>
<th>Individual Network Out Of Pocket‡</th>
<th>Teladoc</th>
<th>ER Access Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Classic-0-4K*</td>
<td>80%/50%</td>
<td>$0</td>
<td>$4,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-500-2K</td>
<td>80%/50%</td>
<td>$500</td>
<td>$2,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-500-3K</td>
<td>80%/50%</td>
<td>$500</td>
<td>$3,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-750-3K</td>
<td>80%/50%</td>
<td>$750</td>
<td>$3,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-750-4K</td>
<td>80%/50%</td>
<td>$750</td>
<td>$4,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-1K-3K</td>
<td>80%/50%</td>
<td>$1,000</td>
<td>$3,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-1K-5K</td>
<td>80%/50%</td>
<td>$1,000</td>
<td>$5,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-1500-3K</td>
<td>80%/50%</td>
<td>$1,500</td>
<td>$3,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-1500-5K</td>
<td>80%/50%</td>
<td>$1,500</td>
<td>$5,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-2K-4K</td>
<td>80%/50%</td>
<td>$2,000</td>
<td>$4,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-2K-6K</td>
<td>80%/50%</td>
<td>$2,000</td>
<td>$6,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-2500-4K</td>
<td>80%/50%</td>
<td>$2,500</td>
<td>$4,000</td>
<td>$0</td>
<td>$100</td>
</tr>
<tr>
<td>Classic-2500-6K</td>
<td>80%/50%</td>
<td>$2,500</td>
<td>$6,000</td>
<td>$0</td>
<td>$100</td>
</tr>
</tbody>
</table>

*Out of Network Deductible = $2000
The Out-of-Network deductibles are two times the Network deductibles.

†Family Deductible is two times the individual deductible.
‡Family Out of Pocket is two times the individual Out of Pocket.

Contains summarized information of our benefit plans. For more information, contact your TML Health Account Executive.
These plans available for effective dates February 1, 2020 and later.
Copay Plans

- PPO Plans with copays for most routine provider visits.
- Routine lab and x-ray 100% Network.
- Major medical 80% Network and 50% Out-of-Network benefit after deductible is met.
- Out-of-Network Deductibles also accumulate towards the Network Out of Pocket maximum.
- Paired with Prescription Copay Plan.

<table>
<thead>
<tr>
<th>Plan Name</th>
<th>Network/Out-Of-Network %</th>
<th>Individual Network Deductible</th>
<th>Individual Network Out Of Pocket</th>
<th>Teladoc</th>
<th>OV Copay</th>
<th>Specialist Copay</th>
<th>Urgent Care Copay</th>
<th>ER Facility Copay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copay-500-2K ER</td>
<td>80%/50%</td>
<td>$500</td>
<td>$2,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
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<tr>
<td>Copay-500-3K ER</td>
<td>80%/50%</td>
<td>$500</td>
<td>$3,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-750-3K ER</td>
<td>80%/50%</td>
<td>$750</td>
<td>$3,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-750-4K ER</td>
<td>80%/50%</td>
<td>$750</td>
<td>$4,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-1K-3K ER</td>
<td>80%/50%</td>
<td>$1,000</td>
<td>$3,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-1K-5K ER</td>
<td>80%/50%</td>
<td>$1,000</td>
<td>$5,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-1500-3K ER</td>
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<td>$1,500</td>
<td>$3,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
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<td>Copay-1500-5K ER</td>
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<td>$5,000</td>
<td>$0</td>
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<td>$75</td>
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<td>Copay-2K-4K ER</td>
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<td>$4,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-2K-6K ER</td>
<td>80%/50%</td>
<td>$2,000</td>
<td>$6,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-2500-4K ER</td>
<td>80%/50%</td>
<td>$2,500</td>
<td>$4,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-2500-6K ER</td>
<td>80%/50%</td>
<td>$2,500</td>
<td>$6,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-3K-5K ER</td>
<td>80%/50%</td>
<td>$3,000</td>
<td>$5,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-3K-7K ER</td>
<td>80%/50%</td>
<td>$3,000</td>
<td>$7,000</td>
<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
<tr>
<td>Copay-4K-7K ER</td>
<td>80%/50%</td>
<td>$4,000</td>
<td>$7,000</td>
<td>$0</td>
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<td>$45</td>
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<tr>
<td>Copay-5K-7K ER</td>
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<td>$0</td>
<td>$30</td>
<td>$45</td>
<td>$75</td>
<td>$250</td>
</tr>
</tbody>
</table>

The Out-of-Network deductibles are two times the Network deductibles.

Family Deductible is two times the individual deductible.

Family Out of Pocket is two times the individual Out of Pocket.
**Consumer Plans**

- Qualified High Deductible plans that can be paired with an Health Savings Account (HSA).
- All plans have an embedded (E) family deductible which means the Plan will begin to pay benefits for a family member when the individual meets the Individual Deductible amount.
- Same Teladoc and Pharmacy benefit as the standalone plan design.

<table>
<thead>
<tr>
<th>Plan Name</th>
<th>Network/Out-Of-Network %</th>
<th>Individual Network Deductible</th>
<th>Individual Network Out of Pocket</th>
<th>Family Network Deductible</th>
<th>Family Network Out of Pocket</th>
<th>Teladoc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer HSA-3K E</td>
<td>100%/70%</td>
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<td>$3,000</td>
<td>$6,000</td>
<td>$6,000</td>
<td>$40</td>
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<tr>
<td>Consumer HSA-4K E</td>
<td>100%/70%</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$8,000</td>
<td>$8,000</td>
<td>$40</td>
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<tr>
<td>Consumer HSA-5K E</td>
<td>100%/70%</td>
<td>$5,000</td>
<td>$5,000</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$40</td>
</tr>
<tr>
<td>Consumer HSA-3K-5K E</td>
<td>80%/50%</td>
<td>$3,000</td>
<td>$5,000</td>
<td>$6,000</td>
<td>$10,000</td>
<td>$40</td>
</tr>
<tr>
<td>Consumer HSA-4K-6K E</td>
<td>80%/50%</td>
<td>$4,000</td>
<td>$6,000</td>
<td>$8,000</td>
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<tr>
<td>Consumer HSA-5K-6900E</td>
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<td>$6,900</td>
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<tr>
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<td>$6,900</td>
<td>$12,000</td>
<td>$13,800</td>
<td>$40</td>
</tr>
</tbody>
</table>

- Wellness visits and certain maintenance medications covered at 100%.
- Teladoc services for general medicine is $40 (actual cost) per visit until the deductible is met.
- Prescription drugs covered at 100% after deductible is met.
- Out-of-Network Deductibles also accumulate towards the Network Out of Pocket maximum.

**Collective II Plans**

- Employer sets the budget. Employees choose the plan.
- Same Teladoc and Pharmacy benefit as the standalone plan design.

<table>
<thead>
<tr>
<th>Plan Name</th>
<th>Network/Out-Of-Network %</th>
<th>Individual Network Deductible</th>
<th>Individual Network Out of Pocket</th>
<th>Family Network Deductible</th>
<th>Family Network Out of Pocket</th>
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</thead>
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<td>$5,000</td>
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<td>$30</td>
<td>$45</td>
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<tr>
<td>CollectivellCopay-2K-6KER</td>
<td>80%/50%</td>
<td>$2,000</td>
<td>$6,000</td>
<td>$12,000</td>
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<tr>
<td>Collective II HSA-3K-5K E</td>
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<td>$3,000</td>
<td>$5,000</td>
<td>$10,000</td>
<td>$40</td>
<td>N/A</td>
</tr>
</tbody>
</table>

- All plans are offered together and cannot be interchanged; however, a member may choose to omit any of the plans from employee selection.

- Qualified High Deductible plans that can be paired with an Health Savings Account (HSA).
- All plans have an embedded (E) family deductible which means the Plan will begin to pay benefits for a family member when the individual meets the Individual Deductible amount.
- Same Teladoc and Pharmacy benefit as the standalone plan design.
CITY COUNCIL AGENDA
Regular Meeting: Tuesday, June 23, 2020

AGENDA ITEM: 14

Deliberate and act on Section 125 Flexible Spending Arrangement agreement with TML Health Benefits Pool.

SUBMITTED BY: Assistant City Secretary Ruby Beaven

APPROVED FOR AGENDA: PKC

BACKGROUND: A cafeteria plan is a separate written plan maintained by an employer for employees that meets the specific requirements and regulations of section 125 of the Internal Revenue Code. It provides participants an opportunity to receive certain benefits on a pretax basis.

Pre-Tax Premium Only
Section 125 of the Internal Revenue Code allows, among other things, employers to deduct employee insurance premiums pre-tax, thereby eliminating payroll taxes for the employee’s premium as well as the employer’s payroll tax obligations. The proposed agreement affects only those dollars that an employee pays towards an insurance premium, whether it is the employee contribution to the employee premium or for premium payments the employee makes for additional optional coverage.

Unreimbursed Healthcare
To assist employees with medical or healthcare expenses, we have an opportunity to participate in the Unreimbursed Healthcare Spending Account Plan. This is part of Section 125 Cafeteria Plan allowing employees to pay for healthcare expenses that are not or cannot be reimbursed by our health benefit program, such as monthly contributions, deductibles, and the benefit percentage that is the employee’s responsibility, with before-tax dollars. This plan offers the employee the opportunity to make contributions to the FSA account to cover these expenses with pre-tax money. Employees can list all eligible dependents to utilize the contributions and will allow for the maximum amount of $500.00 to be carried over to the following plan year. Any remaining amount not used for expenses incurred during the plan year will be forfeited in accordance with current plan provisions and tax law. The current contribution limit is $2,700 but the IRS allows for a maximum of $2,750. There were three employees at the maximum contribution for the 2019-2020 plan year. Each participant is issued a debit card to access their account and pay for healthcare expenses.

As proposed, this is a no-change rollover of the current plan.

FISCAL ANALYSIS: The City will save a small amount of payroll taxes on the portion of the employee’s premium payment that is pre-tax, in addition to the cafeteria plan contributions that are pre-tax. There is a cost to the City from TML as the Plan Administrator. There is a monthly service fee for the Section 125 Flexible Spending Plan for the City of $3.70 per participant for the debit card.
FY 2016-2017 is the first year the City offered a Section 125 Flexible Spending Arrangement (FSA) for employees. Currently 43 employees are taking advantage of the benefit for a monthly cost to the City of $159.10. There is a small amount of risk for the employee if they contribute more than they use and there is a small amount of risk to the City if an employee separates early; however, experience in other communities shows this to be negligible for both.

**RECOMMENDATION:** Staff recommends Council approve the Section 125 Flexible Spending Arrangement agreement with TML Health Benefits, as presented.
TML Health Benefits Pool

Flexible Spending Arrangement Service Agreement

This FLEXIBLE SPENDING ARRANGEMENT SERVICE AGREEMENT ("Agreement") for plan administrator services between [City of Rockport], ("Plan Sponsor") and TML MultiState Intergovernmental Employee Benefits Pool d/b/a TML Health Benefits Pool ("TML Health" or "Plan Administrator") is effective as of 10/1/2020.

WITNESSETH:

Section I - The Plan

1.1 The Plan Sponsor has adopted an Employee Flexible Spending Arrangement ("FSA" or the "Plan") under Section 125 of the Internal Revenue Code. This Plan is offered to all eligible employees who are qualified by employment status.

1.2 The Plan Participants are the employees enrolled in the Plan.

1.3 All contributions to the Plan shall be deposited in the name of the Plan with a Bank designated by the Plan Administrator subject to approval of the Plan Sponsor if requested by the Plan Sponsor.

1.4 The Plan Sponsor agrees that a healthcare expense reimbursement arrangement is a health plan under Title II of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The Plan Sponsor agrees that it is the Plan Sponsor's, and not the Plan Administrator's, responsibility to ensure that its healthcare expense reimbursement arrangement plan, if any, is compliant with all relevant sections of HIPAA Title II or any other law.

Section II - The Plan Administrator

2.1 The Plan Administrator shall provide consulting services and shall assist the Plan Sponsor in the administration of the FSA.

2.2 The Plan Administrator shall have the full responsibility for maintaining accounts for each eligible person electing to participate in the Plan. The Plan Administrator shall arrange for eligible claims payments from funds deposited by the Plan Sponsor as directed by their participating employees. The claims payments shall be made by the Plan Administrator by issuing a check or draft to the participant upon the Plan Bank Account, if such account is provided for this purpose, in an amount equal to the qualified charges from the submitted claim. The claims submitted by the Plan Participants shall be paid within ten days of receipt by the Plan Administrator.

2.3 To the extent that information is available to the Plan Administrator, Plan Administrator shall assist the Plan Sponsor in sending information to Plan Sponsor so that Plan Sponsor may prepare any report, tax return or similar papers required by state or the federal government pertaining to the operation or management of the Plan. The ultimate responsibility for filing any governmental document shall be with the Plan Sponsor.
2.4 The Plan Administrator shall render periodic reports to each Plan Participant, which shall include the following:
   a. Receipts of the Participant's Plan Contributions;
   b. Disbursement of Plan Contributions through claims payments; and
   c. Statements of (a) and (b) above shall automatically be provided each Participant following the submission and payment of a qualified claim.

2.5 The Plan Administrator shall prepare a Plan Document for the FSA. The Plan Sponsor shall assume the responsibility of obtaining legal review of the Plan Document.

2.6 Unless otherwise provided, the Plan Administrator is authorized to do all the things necessary or convenient to carry out the terms and purposes of the Plan.

Section III - Procedure for Making and Payment of Claims for Benefits from the Fund

3.1 Any Plan Participant may make application for benefits from the Plan as provided by the Plan upon the form or forms provided by the Plan Administrator. The Plan Participant shall fully and truthfully complete such application for benefits and the applicant shall supply all such pertinent information including copies of paid receipts, as may be required under the Section 125 rules and specified by the Plan Administrator.

3.2 The Plan Administrator shall accept copies of any application for benefits made in the appropriate manner shall duly investigate and verify the statements made on the application and determine benefit eligibility. If the facts as stated in such application entitle the covered person to receive payment of benefits from the Plan, the Plan Administrator shall forthwith arrange for the proper payment.

3.3 Claim filings shall be mailed/faxed to the person or department designated by the Plan Administrator. If appropriate, claims could be submitted through the debit card transaction. Claims checks are processed each week. During the last month, eligible claims of any amount shall be processed by the Plan Administrator.

3.4 All Plan benefits processed by the Plan Administrator shall be mailed to the qualified Plan Participant within ten (10) days of approval.

If the Plan Administrator finds that the Plan Participant is not entitled to a claim payment under the Plan, the claim application shall be denied, all or in part, and returned to the Plan Participant with the Plan Administrator's reason for denial. The Plan Participant may appeal a denial by the Plan Administrator to the Plan Sponsor. The Plan Sponsor's determination is final and conclusive.

3.5 The Plan Administrator shall not be liable for any failure or refusal to pay or honor any application for benefits made pursuant to this Agreement; and to the extent allowed by law, the Plan Administrator must be indemnified by the Plan Sponsor for any liability related to its duties herein, and shall be reimbursed by the Plan Sponsor for any expense, loss, damage, or legal fees incurred by the Plan Administrator in defending any claims or demands made against the Plan Sponsor, the Plan Administrator or the Plan. This paragraph will not apply for any loss due to the gross negligence or willful misconduct of the Plan Administrator.
Section IV - Costs of Administrator

4.1 The Plan Administrator shall be entitled to a fee or fees for its service to the Plan and, under this Agreement, the fee shall be paid in the form of an advance start-up costs, a pass through of printing or printing preparation costs and Monthly Service Fee.

Section V – Duties of the Plan Sponsor

5.1 As of the effective date of this Agreement, the Plan Sponsor shall provide the Plan Administrator with a complete list of all eligible Plan Participants. The Plan Sponsor shall arrange for enrollment meetings and, with the Plan Administrator’s assistance, complete Plan enrollment.

5.2 The Plan Sponsor shall collect funds in accordance with authorized payroll reductions or deductions and shall remit these monies to the Plan Administrator on a monthly (or pay period) basis.

5.3 The Plan Sponsor shall forward the appropriate service fees to the Plan Administrator on the first of each calendar month or in conjunction with the monthly plan fund collections.

5.4 The Plan Sponsor shall assist in the enrollment of eligible employees in the Plan, notify the Plan Administrator of any change of eligibility, cooperate with the Plan Administrator with regard to proper claim settlement, transmit to the Plan Administrator proper claim settlement and transmit to the Plan Administrator all inquiries pertaining to the Plan.

5.5 The Plan Sponsor shall be responsible for filing any documents required by the Internal Revenue Service (“IRS”).

5.6 The Plan Sponsor limits contributions to the Plan to $2,700.00 per employee, unless otherwise specified below the signature line on this agreement.

Section VI – Duration and Termination of the Agreement

6.1 This Agreement may be terminated by the Plan Sponsor or the Plan Administrator by prior written notice of intention to terminate given to the other party, to be effective as of an annual plan anniversary date. Said written notice shall be given not less than thirty (30) days prior to such termination. The thirtieth (30th) day shall coincide with the last day of a calendar month. The Plan Administrator may also terminate this Agreement following the termination of any medical, dental, or vision coverage provided by the Plan Administrator to the Plan Sponsor, to be effective upon ten (10) days’ written notice sent to the Plan Sponsor, effective on the date specified in the notice. The Additional Contract Documents referenced in Section 8.7 may be amended by Notice of Renewal for each renewal Plan Year or by Notice of Mid-Year Plan Amendments. In the event any such Additional Contract Document is amended, said amended document will be attached to this Agreement and incorporated by reference to said document. All obligations of the Plan Administrator related to the relevant rights of the covered Participant to payments of benefits from the Plan will be terminated and extinguished on the effective date of termination given in the notice whether or not the claim for such benefits arose prior to or following the termination of this Agreement. Absent a prior written notice of termination this Agreement will annually renew on the effective date set forth at inception. In no case shall termination by the Plan Administrator relieve the Plan Sponsor of its obligation to maintain the Plan.
Section VII - Qualifications

7.1 To qualify the Plan Sponsor must have on file a current Interlocal Agreement with the TML Health Benefits Pool. The Plan Sponsor must have ten percent (10%) of the eligible employees participate in the Plan. Should these qualifications not be met, or maintained, the Plan Administrator may terminate this Agreement pursuant to Section VI.

Section VIII - Miscellaneous Provisions

8.1 In the event of resignation or inability to serve as the Plan Administrator, the Plan Sponsor may appoint a successor.

8.2 If during the operation of the Plan, the United States Government, the government of any state or any instrumentality or either shall assess any tax against the Plan and the Plan Administrator is required to pay such tax, the Plan Administrator shall report the payment to the Plan Sponsor who will reimburse the Plan Administrator for such tax or assessment.

8.3 Plan Administrator shall incur no tax liability to the Plan Sponsor or to an employee or dependent of the Plan Sponsor for any administrative errors, or any other act or failure to act not directly connected with processing and payment of claims as provided in this Agreement, except where the tax liability is caused solely by the Plan Administrator. To the extent allowed by law, the Plan Sponsor shall hold Plan Administrator harmless from and indemnify it against any and all liability, claims, damages (including punitive or consequential damages), costs, expenses, or fees (legal or otherwise) incurred or paid in connection therewith which might be asserted by the Plan, the Plan Sponsor's employees, or other persons for which the Plan Administrator would not be liable to the Plan Sponsor as set forth above.

8.4 Where the context of the Agreement requires, the singular shall include the plural and the masculine gender shall include the feminine.

8.5 This Agreement may be amended by the Plan Sponsor and the Plan Administrator at any time by mutual written consent of said parties.

8.6 The Plan Sponsor hereby is designated the agent for service of legal process on behalf of the Plan, in its principal office.

8.7 Additional Contract Documents

The following attachments are additional contract documents:
1. Attachment 1 – Flexible Spending Arrangement Plan Document
2. Attachment 2 – Schedule of Fees
3. Attachment 3 – Not Applicable
4. Attachment 4 – Flexible Spending Arrangement – Carryover Service Addendum
5. Attachment 5 – Flexible Spending Arrangement Forms
IN WITNESS WHEREOF, the Plan Sponsor and the Plan Administrator have executed this Flexible Spending Arrangement Service Agreement this ________ day of __________, 20______.

Healthcare Limitation amounts are limited to $2,700.00

[Employer’s limit for participant contributions may be an amount up to federal maximum amount of $2,750.00, effective 1/1/2020.] 

The Section 125 FSA Plan Year is from: 10/1/2020 to 9/30/2021.

TML Health

Jennifer Hoff
Print name

Signature

Executive Director
Title

Date

City of Rockport

Print Name

Signature

Title

Date

APPROVED AS TO FORM:

Leah Simon, General Counsel
Attachment 1
Flexible Spending Arrangement Plan Document

Introduction

The Plan Sponsor recognizes that many employees in today's work force are faced with childcare expenses, as well as certain medical or healthcare expenses that are not fully covered by your health benefit program.

To assist employees with these expenses, we are offering you the opportunity to participate in the Plan Sponsor Dependent Care Account and Unreimbursed Healthcare Spending Account Plans. These Plans are part of the Plan Sponsor Section 125 Flexible Spending Arrangement ("FSA" or "Plan Sponsor Plan"). These FSA Account plans allow you to pay for dependent care and healthcare expenses that are not or cannot be reimbursed by your health benefit program, such as the monthly contributions, deductibles and the benefit percentage that is your responsibility, with before-tax dollars. This Plan Sponsor Plan offers you the opportunity to make contributions to FSA Accounts to cover these expenses with before-tax moneys.

You will be reimbursed for childcare expenses and unreimbursed healthcare expenses from your FSA accounts as you present your claims for payment.

We have written this booklet with as few technical terms as possible, so that you will be aware of your benefit rights. Every effort has been made to make the booklet as complete and accurate as possible. However, if any conflict should arise between this booklet and these plans, the terms of the plans will govern.

Plan Sponsor will be happy to supply you with any additional information so that you will have a complete understanding of the benefits.

General Information

Name and Type of Plan and Fiscal Year

The names of the plans available in the FSA are: (1) the Plan Sponsor Dependent Care Account, and (2) the Plan Sponsor Unreimbursed Healthcare Reimbursement Account Plan. The Dependent Care Account is a plan authorized under Section 129 of the Internal Revenue Code. The Unreimbursed Healthcare Reimbursement Account is authorized under Sections 105 & 125 of the Internal Revenue Code. These plans are provided under the Plan Sponsor Plan, which is an authorized Internal Revenue Code Section 125 Cafeteria Plan.

Administration of the Plan

The Plan Sponsor is the Member. The Plan Administrator is TML Health Benefits Pool.

Agents for Service of Process

Legal service of process may be made on the Plan Sponsor.
Amendments to, or Termination of, the Plan

The Plan Sponsor Plan may be modified, amended or terminated in whole or in part, at any time by the Plan Sponsor or its designee.

Flexible Benefit Plan

A flexible benefits plan is a benefit designed to increase employee’s’ spendable income by reducing their taxes. Internal Revenue Code Section 125 allows employers to provide three basic types of flexible benefits plans to their employees.

1. Premium Conversion plan
2. Dependent Care Spending Account
3. Unreimbursed Healthcare Spending Account

How the Program Works

These flexible benefits plans let you set aside part of your pay on a before-tax basis to:

1. Pay certain insurance premiums through the Pre-tax Premium Conversion Option;
2. Set up an Unreimbursed Healthcare Reimbursement Account to pay certain medical, dental, vision and hearing care expenses not covered by insurance (Unreimbursed Healthcare Account standard maximum $2,750 per year [Patient Protection Affordable Care Act] or a lower amount established by the employer); and
3. Set up a Dependent Care Account to pay eligible childcare and dependent care expenses while you and your spouse (if married) are at work. Yearly maximum is $5,000 (or $2,500) for married employees who file separate returns. These options are explained in more detail in the sections to follow.

What are Before-Tax Dollars?

The before-tax dollars you contribute to this program is money that is never taxed for federal income tax and social security tax purposes. Basically, the program reduces your taxable income.

Participating in flexible benefits plans will not affect your other benefits or your employment contract (if applicable). They will continue to be based on your actual income. Your W-2 form, however, will show a reduced amount of pay according to your Pre-tax Premium Conversion and Reimbursement Account elections.

Eligibility

You are eligible for the flexible benefit plans for premium conversion, dependent care and/or unreimbursed healthcare expenses on the Plan Sponsor Plan’s effective date if you are eligible to receive other employee benefits from your employer. You will have the opportunity to make before-tax contributions to each of the flexible benefit plans. You can make your elections by completing the election form or the online enrollment form.

Changes in Eligibility

You will cease to be eligible for the participation in the Plan Sponsor Plan if the following occurs:

1. the plan terminates,
2. you are no longer an eligible employee of the Plan Sponsor, or
3. you elect to revoke your elections because you qualify for leave under the Family and Medical Leave Act of 1993 (FMLA).

If you revoke your eligibility under the provisions of FMLA and then return to work you may reinstate your elections on the same terms as prior to the leave. If you are no longer an eligible employee of the Plan Sponsor, you must elect COBRA continuation of coverage and promptly pay 102% of your contracted contribution in order to access any benefit balance for claims incurred after the date of your termination.

Choosing a Deposit Amount

When you enroll in the Plan Sponsor Plan, you must specify the amount of your income you want deducted, on a pre-tax basis for the Dependent Care Spending Account and/or Unreimbursed Healthcare Spending Account. Your employer will administer the Pre-Tax Premium Conversion Plan for you. Equal payroll deductions will be taken from each paycheck during the plan year. The Unreimbursed Healthcare Spending Account contributions are established by the employer with a standard maximum amount of $2,750 per year (as of January 2020 and thereafter).

Restrictions on Changing Your Deposit Amounts

You may not change or revoke your elections during the Plan Year except as prescribed in federal regulations. Those qualifying events include, but are not limited to the following circumstances:

1. Change in legal marital status, including marriage, divorce or legal separation, death of spouse or annulment.
2. Change in the number of dependents including birth, adoption and placement for adoption or death of a dependent.
3. Change in employment status, including commencement or termination of employment of the employee, spouse or dependent.
4. Change in work schedule including an increase or decrease in the number of hours of employment by employee, spouse, or dependent including a switch from full-time to part-time status, a strike or lockout, or commencement or return from an unpaid leave of absence.
5. The dependent satisfies or ceases to satisfy the requirements for dependents. An event that causes an employee's dependent to satisfy or cease to satisfy the requirements for coverage due to attainment of age, or any similar circumstances as provided under the accident or health plan under which the employee receives coverage.
6. A change in the place of residence or work site of the employee, spouse or dependent.
7. An employee who is eligible, but not enrolled, for coverage under the terms of the plan (or a dependent of such an employee if the dependent is eligible, but not enrolled for coverage under such terms) may enroll for coverage under the terms of the plan within sixty (60) days of loss of coverage, due to loss of eligibility, under Medicaid or a State Children's Health Insurance Program (SCHIP).
8. If the dependent child is dropped by SCHIP (State Children’s Health Insurance Program).
9. If the employee, spouse or dependent become entitled to Medicare or Medicaid, the employee may elect to cancel the coverage on the employee, spouse or dependent.
10. If the plan receives a Qualified Medical Child Support Order (QMED) pertaining to an employee's dependent, an employer may elect to change the election without the consent of the employee.
11. If the plan sponsor significantly changes either the cost of coverage or the coverage itself during the year, participants may change their benefit election as a result.
12. If FMLA applies to the employer, it applies to the Flex plan. An employee requesting leave under FMLA may revoke his or her existing Flex plan. However, if the employer pays the employee’s share of the contribution, the employee may not revoke coverage.

13. If an employee loses health coverage while on FMLA or protected leave the employee must make a required payment for the employer to reinstate the employee’s coverage upon request. An employee on FMLA leave has the same rights as other employees to take advantage of the change in family status rule. During the FMLA period, payment of contributions must continue without regard to leave. FMLA requirements do not apply to non-health benefits such as life insurances or dependent care provided through the Flex plan. If the employee fails to make a scheduled payment, the employer may make the payment on the employee’s behalf and recoup it after the employee returns from leave using the “catch-up” rules.

14. Substantial decrease in the medical providers available in the PPN, reduction of benefits for a specific type of medical conditions or treatment and/or similar reduction of loss of coverage.

15. If covered individual transitions from paid to a non-paid daycare service.

16. Cessation of required contributions.

17. Any other change of status allowed under the regulations of the Internal Revenue Service.

18. If an employee’s hours of employment drop to under thirty (30) hours per week, regardless of whether the drop in hours results in a loss of eligibility under the group health plan, the employee may prospectively revoke the group health plan provided the revocation corresponds with enrollment of the employee and any dependents who were also covered in another plan that provides minimum essential coverage. The new coverage must be effective no later than the first day of the second month following the date coverage is revoked.

19. If a group health plan’s plan year is non-calendar, an employee may revoke coverage mid-plan year to enroll in a marketplace plan during the marketplace open enrollment period. The effective date of the revocation must be 12/31 and the employee must show enrollment of himself/herself and any dropped dependents in a marketplace plan the following 1/1.

If one of the above circumstances does occur during the plan year, you have thirty one (31) days from the occurrence to change or revoke your elections. The change in coverage must be consistent with the qualifying event (QE). Plan Administrator has the right to request documentation of changes.

Benefits subject to COBRA Continuation of Coverage may include: medical, health reimbursement coverage in conjunction with the medical, dental, vision, prescription and/or the Flexible Spending benefits. FSA Accounts include Unreimbursed Healthcare Spending Accounts and Dependent Care Accounts.

Separation from Service

An employee who terminates employment and later returns to work cannot rejoin the FSA plan for the balance of the Plan Year.
Forfeiture of Benefits

You forfeit any amount of dependent care reimbursement benefits and unreimbursed healthcare spending account benefits if a claim for reimbursement is not provided to the Plan Administrator within ninety (90) days after the last day of participation in the Plan. Upon such forfeiture, your Dependent Care Reimbursement Account or Unreimbursed Healthcare Spending Account shall be reduced to zero (0). At the discretion of the Plan sponsor, forfeitures of benefits under the Plan may be reallocated to Participants in any reasonable manner. Forfeitures of benefits may also be applied toward the cost of administering the Plan. Forfeited benefits shall become the sole property of the Plan Sponsor.

In the event your employment terminates during the Plan Year, you have ninety (90) days after the last day of participation in the Plan to submit incurred expenses. All employee and dependent coverage will terminate on the earliest of the end of the month your employment terminates or the end of the month in which you cease to be an active, full-time Employee.

The Plan will make a qualified reservist distribution of any available funds in the Unreimbursed Healthcare Spending Account pursuant to the Heroes Earnings Assistance and Relief Tax of 2008 (26 U.S.C.A. 125(h)) upon written request of the qualified reservist.

No Transfer between Accounts

IRS rules do not allow any transfer of funds between dependent care accounts and unreimbursed healthcare spending accounts. Separate accounts must be mandated for medical expense reimbursement and dependent care reimbursement.

Reimbursements

Dependent care and any unreimbursed healthcare spending account expenses not submitted as a medical claim will be reimbursed by completing a claim form and attaching the appropriate documentation or by the adjudication of the recurring expense. Claims are processed and checks mailed weekly.

FSA Account Statements

Each time a flex check is sent to the enrollee it is accompanied with a statement indicating the account balance. A statement is also sent to the employee ninety (90) days prior to the end of the flexible benefit plan year indicating the spending account balance.

Active Duty Reservist

If the Plan Sponsor considers a call to active duty “unpaid leave” this will be a “qualifying event” to drop dependent coverage and the employee can reinstate the flexible spending plan when they return to work.

If the Plan Sponsor considers a call to active duty “paid leave” this will not be considered a “qualifying event” and the employee cannot change their flexible spending contributions. In other words, the employee’s pay will be reduced by the same amount as it was before being called to active duty.
The Effect of the Plan on Other Benefits

Some of the benefits provided by the Plan Sponsor Plan (e.g., pension benefits, group life insurance benefits) are determined on the basis of your earnings. For the purpose of these benefits, the Plan provided by the Plan Sponsor, will be based on your earnings before any salary reduction contributions to the FSA Account plans are taken into account.

Under present law, your earnings for the purpose of determining your Social Security benefits and FICA taxes do not include salary reduction contributions under the Plan Sponsor Plan, including salary reduction contributions to these FSA Account plans. In almost all cases, the value of the FICA, Federal and state income tax savings to you will exceed the reduction in your eventual Social Security benefits.

Further information on this subject is available from the Plan Sponsor.

Claims Information

Payment of Paper Claims

In order to receive reimbursement for an eligible claim for dependent care or unreimbursed healthcare expenses, you must complete the form supplied to you by your employer. This form may require you to submit additional information pertaining to your claims, such as a signed statement from your physician for healthcare services received.

All payments for eligible claims will be reimbursed within ten (10) business days of receipt. If claims remain at the end of the Plan Year for which there are no remaining funds in your account to reimburse you, these claims will not be paid, carried over or charged against the balance in your account in any subsequent Plan Year. You will not be reimbursed for these excess claims.

- All payments for claims will be made directly to you and not any provider of service.

Payment of Debit Card Claims

In order to receive reimbursement for an eligible claim the card can only be used at merchants and service providers that have approved merchant category codes related to healthcare, such as physician, pharmacies, dentists, vision care offices, hospitals, and other merchant code providers.

Premium Conversion Plan

The Premium Conversion Plan allows you to pay for healthcare contributions, which you pay and are payroll deducted by your employer, on a pre-tax basis and reduce your taxable income. Examples are the contributions for dependent medical, dental or vision coverage. Also included are premiums for optional employee life, but not dependent life. It is like getting an instant tax refund every payday. In fact, many employees may even increase their take-home pay just by participating in this option.

Note: A maximum of $50,000 basic and/or optional life can be claimed on a pre-tax basis. Any group life insurance in excess of $50,000 is taxable and must be paid with after tax dollars. Employee salary reductions for the excess coverage are not taken into account when determining the amount to include in an employee’s taxable income for the excess coverage.

*Once enrolled, you may not change* your election or pre-tax payroll deductions for the remainder of the Plan Year unless there is a IRS qualifying event.
Unreimbursed Healthcare Spending Account

The Unreimbursed Healthcare Spending Account reimburses an employee’s pledge amount not to exceed the employer’s unreimbursed healthcare spending amount limit to a standard maximum of $2,750 per plan year (January 2020 and thereafter).

This maximum amount for unreimbursed health has no effect on the dependent care flex benefit. The dependent care flex benefit will remain at $5,000 (or $2,500 in married and filing separately). If the employee at any time becomes covered under a Qualified High Deductible Health Plan ("HDHP"), as prescribed by Section 223 of the Internal Revenue Code) with an accompanying health savings account ("HSA") then the FSA will automatically convert from a general purpose FSA to a post-deductible FSA for any amounts incurred when the HDHP is in effect. This means that expenditure for non-preventive medical costs will not be paid until the deductible for the HDHP has been met, and then only to the extent that those costs exceed the deductible.

What Expenses are Eligible for Reimbursement?

Only medical expenses that are not covered by your medical insurance and that are allowable by the IRS may be reimbursed from your account. Expenses for your dependents are included as long as that person is a dependent as defined by the IRS.

Included is an alphabetical list of items that are encountered frequently by persons utilizing FSA Accounts. Some of these items may be reimbursed, and some may not; a brief note indicating which category the item falls into follows each item.

How to Get Reimbursed

Claiming your before-tax dollars to pay covered expenses is an easy process. In addition, the medical care must be provided during the Plan Year for which you have set up your account.

Your expenses will be reimbursed up to the amount you have pledged for the year in your Unreimbursed Healthcare Spending Account. The total yearly amount is available for reimbursement as soon as the Plan Year starts and the expense incurred.

Step 1

Paper Claim

When you have a covered medical expense, obtain a receipt showing the date of service and the service provided (you do not have to pay for the service before submitting it for reimbursement).

Before applying for reimbursement, submit any medical bills covered by insurance as you normally would to any insurance company that covers you or your dependents. IRS allowable expenses not reimbursable by insurance can then be submitted for reimbursement. If the service is covered under another insurance policy, submit a copy of the Explanation of Benefits from that insurance company along with a Flex Reimbursement Form for reimbursement (A copy of the form is included in this booklet).

If you are enrolled in both an Unreimbursed Healthcare Spending Account and a Health Savings Account, your Unreimbursed Healthcare Spending Account will not reimburse you for any allowable expenses applied toward satisfaction of your medical plan deductible. If you are enrolled in a Health Savings Account, expenses applied toward your medical plan deductible can be reimbursed only under your Health Savings Account. Except, if your medical plan deductible is more than the minimum deductible established by
federal law for a qualified high-deductible health plan, after you have satisfied the minimum deductible required under federal law, either your Unreimbursed Healthcare Spending Account or your Health Savings Account may be used to reimburse expenses applied to your deductible that exceed the federally-established minimum.

**Debit Card Claims**

Each participating employee certifies upon enrollment for each Plan Year thereafter that the card will only be used for eligible medical care expenses of the employee, the employee’s spouse and dependents. The employee also certifies that any expense paid with the card has not been reimbursed and that the employee will not seek reimbursement under any other plan covering health benefits.

**Substantiating Procedures for Debit Card Claims**

The employer establishes the following procedures for substantiating claimed medical expenses after the card is used.

First, if the dollar amount of the transaction at a healthcare provider equals the dollar amount of the copayment for that service under the accident or health plan the charge is fully substantiated without the need for submission of receipt. This notice expands the copayment match substantiation method to include as automatic substantiations certain matches of multiple copayments in specific dollar amounts, and the dollar amount of the transaction at a healthcare provider (as identified by its merchant category code) equals an exact multiple of not more than five (5) times the dollar amount of the copayment for the specific service. Under this method, the merchant system must collect and download the inventory control of the purchase.

Second, the Administrator permits automatic reimbursement without further review of recurring expenses that match expenses previously approved as to amount, provider and time period.

Third, if the merchant, service-provider, or other independent third-party merchant at the time and point-of-sale provides information to verify the Administrator (including electronically by e-mail) that the charge is for a medical expense. The charge is fully substantiated without the need for submission of a receipt or further review.

All other charges to the card are treated as conditional pending confirmation of the charge by the submission of additional third-party information, such as receipt.

**Step 2**

Mail your completed reimbursement claim form and documentation to:
TML Health Benefits Pool | PO Box 140167 | Austin, Texas 78714-0167
Fax: (512) 719-6505 or (512) 719-6520

**Step 3**

You will receive an FSA account reimbursement check made out to you and mailed to your home address. Claims are paid within ten (10) working days from the date of receipt.
COBRA Continuation of Coverage (COC) Rights

Introduction

You’re getting this notice because you have recently gained coverage under a group health plan (the Plan). This notice has important information about your right to COBRA Continuation of Coverage (COC), which is a temporary extension of coverage under the Plan. This notice explains COBRA Continuation of Coverage, when it may become available to you and your family and what you need to do to protect the right to receive it. When you become eligible for COBRA Continuation of Coverage, you may also become eligible for other coverage options that may cost less than COBRA Continuation of Coverage.

The right to COBRA Continuation of Coverage was created by a federal law, the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). COBRA Continuation of Coverage can become available to you and other members of your family when your group health coverage would otherwise end. For more information about your rights and obligations under the Plan and under federal law, you should review the Plan booklet or contact TML Health Benefits Pool, 1821 Rutherford Lane, Suite 300, Austin, Texas 78754 or by telephone (800) 282-5385.

You may have other options available to you when you lose group health coverage

For example, you may be eligible to buy an individual plan through the Health Insurance Marketplace. By enrolling in coverage through the Marketplace, you may qualify for lower costs on your monthly premiums and lower out of pocket costs. Additionally, you may qualify for a 30-day special enrollment period for another group health plan for which you are eligible (such as a spouse’s plan), even if that plan generally doesn’t accept late enrollees.

What is COBRA Continuation of Coverage?

COBRA Continuation of Coverage is a continuation of Plan coverage when it would otherwise end because of a life event. This is also called a “qualifying event.” Specific qualifying events are listed later in this notice. After a qualifying event, COBRA Continuation of Coverage must be offered to each person who is a “qualified beneficiary.” You, your spouse and your dependent children could become qualified beneficiaries if coverage under the Plan is lost because of the qualifying event. Under the Plan, qualified beneficiaries who elect COBRA Continuation of Coverage may be required to pay for coverage depending on the policy of your Employer.

If you’re an employee, you’ll become a qualified beneficiary if you lose your coverage under the Plan because of either one of the following qualifying events:
1. Your hours of employment are reduced; or
2. Your employment ends for any reason other than your gross misconduct.

If you’re the spouse of the employee, you’ll become a qualified beneficiary if you lose your coverage under the Plan because of any of the following qualifying events:
1. Your spouse dies;
2. Your spouse’s hours of employment are reduced;
3. Your spouse’s employment ends for any reason other than his or her gross misconduct;
4. Your spouse becomes entitled to Medicare benefits (under Part A, Part B and/or Part C); or
5. You become divorced or legally separated from your spouse.
Your dependent children will become qualified beneficiaries if they lose coverage under the Plan because of any of the following qualifying events:

1. The parent-employee dies;
2. The parent-employee's hours of employment are reduced;
3. The parent-employee's employment ends for any reason other than his or her gross misconduct;
4. The parent-employee becomes entitled to Medicare benefits (Part A, Part B and/or Part C);
5. The parents become divorced or legally separated; or
6. The child stops being eligible for coverage under the Plan as a "dependent child."

Any decision of whether an Employee was terminated because of gross misconduct will be made by the Employer. The Employer may not change its decision on whether or not a termination was for gross misconduct later than the forty-fifth (45th) day after the date employment terminated or the date a COBRA Continuation of Coverage election notice was mailed to the employee, whichever is earlier. Any determination of gross misconduct shall be based on events that occurred prior to the termination of employment.

Sometimes, filing a proceeding in bankruptcy under Title 11 of the United States Code can be a qualifying event. If a proceeding in bankruptcy is filed with respect to your Employer, and that bankruptcy results in the loss of coverage for any retired employee covered under the Plan, the retired employee will become a qualified beneficiary. The retired employee's spouse, surviving spouse and dependent children will also become qualified beneficiaries if bankruptcy results in the loss of their coverage under the Plan.

Please note that COBRA Continuation of Coverage does not include any life benefits. If you had voluntary life coverage, you may convert it to an individual policy within thirty-one (31) days of your qualifying event. Contact your Employer's human resources office for more information and conversion forms.

**When is COBRA Continuation of Coverage available?**

The Plan will offer COBRA Continuation of Coverage to qualified beneficiaries only after TML Health Benefits Pool has been notified that a qualifying event has occurred. The Employer must notify TML Health Benefits Pool of the following qualifying events:

1. The end of employment or reduction of hours of employment;
2. Death of the employee;
3. Commencement of a proceeding in bankruptcy with respect to the Employer; or
4. The employee's becoming entitled to Medicare benefits (under Part A, Part B and/or Part C).

**You must give notice of some Qualifying Events**

For all other qualifying events (divorce or legal separation of the employee and spouse or a dependent child's losing eligibility for coverage as a dependent child), you must notify TML Health Benefits Pool within sixty (60) days after the qualifying event occurs. You must provide notice to: TML Health Benefits Pool, 1821 Rutherford Lane, Suite 300, Austin, Texas 78754 or by telephone (800) 282-5385.

**How is COBRA Continuation of Coverage provided?**

Once TML Health Benefits Pool receives notice that a qualifying event has occurred, COBRA Continuation of Coverage will be offered to each of the qualified beneficiaries. Each qualified beneficiary will have an independent right to elect COBRA Continuation of Coverage. Covered employees may elect COBRA Continuation of Coverage on behalf of their spouses, and parents may elect COBRA Continuation of Coverage on behalf of their children.
COBRA Continuation of Coverage is a temporary continuation of coverage. When the qualifying event is the death of the employee, the employee’s becoming entitled to Medicare benefits (Part A, Part B and/or Part C), your divorce or legal separation or a dependent child’s losing eligibility as a dependent child, COBRA Continuation of Coverage lasts for up to a total of thirty-six (36) months. When the qualifying event is the end of the employment or reduction of the employee’s hours of employment, and the employee became entitled to Medicare benefits less than eighteen (18) months before the qualifying event, COBRA Continuation of Coverage for qualified beneficiaries other than the employee lasts until thirty-six (36) months after the date of Medicare entitlement. For example, if a covered employee becomes entitled to Medicare eight (8) months before the date on which his employment terminates, COBRA Continuation of Coverage for his spouse and children can last up to thirty-six (36) months after the date of Medicare entitlement, which is equal to twenty-eight (28) months after the date of the qualifying event (thirty-six (36) months minus eight (8) months). Otherwise, when the qualifying event is the end of employment or reduction of the employee’s hours of employment, COBRA Continuation of Coverage generally lasts for only up to a total of eighteen (18) months. There are three (3) ways in which this eighteen (18) month period of COBRA Continuation of Coverage can be extended.

Active Duty Reservists extension of COBRA Continuation of Coverage

If covered by the Plan as an employee at the time of call to active duty, active duty reservists or guard members and their covered dependents can maintain eligibility on the Plan for up to twenty-four (24) months as prescribed by and subject to the terms and conditions of the Uniformed Services Employment and Reemployment Rights Act (USERRA). The date on which the person’s absence begins is the qualifying event for COBRA Continuation of Coverage (COC) to be offered to the reservist or guard member.

If a fire fighter or police officer is called to active duty for any period, the Employer must continue to maintain any health, dental, or life coverage received on the date the fire fighter or police officer was called to active military duty until the Employer receives written instructions from the fire fighter or police officer to change or discontinue the coverage. Such instruction shall be provided no later than sixty (60) days following the Qualifying Event. If no such instruction is given, then coverage will terminate on the sixty-first (61st) day, which shall then become the Qualifying Event for COBRA Continuation of Coverage purposes. Eligibility will meet or exceed requirements of USERRA and/or regulatory compliance.

In administering this coverage, TML Health Benefits Pool will follow the time guidelines of COBRA Continuation of Coverage under 42 U.S.C.A.300bb-1 et seq. To qualify for this coverage, the employee must give written notice to the Employer within sixty (60) days of the qualifying event. The Employer member must notify TML Health Benefits Pool that an employee has been called to active duty and submit a copy of the Employer member’s active reservist policy to TML Health Benefits Pool.

Disability extension of COBRA Continuation of Coverage

If you or anyone in your family covered under the Plan is determined by Social Security to be disabled and you notify TML Health Benefits Pool within sixty (60) days of that determination, you and your entire family may be entitled to receive up to an additional eleven (11) months of COBRA Continuation of Coverage for a total maximum of twenty-nine (29) months. The disability must start at some time before the sixty-first (60th) day of COBRA Continuation of Coverage and must last at least until the end of the eighteen (18) or twenty-four (24) month period of COBRA Continuation of Coverage. You may contact TML Health Benefits Pool about a disability determination at 1821 Rutherford Lane, Suite #300, Austin, Texas 78754 or by telephone (800) 282-5385.
Second Qualifying Event extension of COBRA Continuation of Coverage

If your family experiences another qualifying event while receiving eighteen (18) or twenty-four (24) months of COBRA Continuation of Coverage, the spouse and dependent children in your family can get up to eighteen (18) additional months of COBRA Continuation of Coverage, or a maximum of thirty-six (36) months, if TML Health Benefits Pool is properly notified about the second qualifying event. This extension may be available to the spouse and any dependent children getting COBRA Continuation of Coverage if the employee or former employee dies, becomes entitled to Medicare benefits (Part A, Part B and/or Part C) gets divorced or legally separated, or if the dependent child stops being eligible under the Plan as a dependent child. This extension is available only if the second qualifying event would have caused the spouse or dependent child to lose coverage under the Plan had the first qualifying event not occurred.

Are there other coverage options besides COBRA Continuation of Coverage?

Yes. Instead of enrolling in COBRA Continuation of Coverage, there may be other coverage options for you and your family through the Health Insurance Marketplace, Medicaid or other group health plan coverage options (such as a spouse’s plan) through what is called a “special enrollment period.” Some of these options may cost less than COBRA Continuation of Coverage. You can learn more about many of these options at http://www.healthcare.gov.

Adding Dependents

If you are a COBRA Continuation of Coverage participant, you have the same rights to add dependents to your COBRA Continuation of Coverage as an active covered employee. For example, you may add dependents to your COBRA Continuation of Coverage within thirty-one (31) days of marriage or sixty (60) days of the birth, adoption or placement for adoption of a child. Also, you may add dependents to your COBRA Continuation of Coverage during your Employer’s Open Enrollment. However, these dependents who were not covered under the Plan before your qualifying event occurred are not qualified beneficiaries and do not have individual COBRA Continuation of Coverage rights, except for children added within sixty (60) days of birth, adoption or placement for adoption. Children added to your COBRA Continuation of Coverage within sixty (60) days of birth, adoption or placement for adoption are qualified beneficiaries and have their own COBRA Continuation of Coverage rights.

If you have questions

Questions concerning your Plan or your COBRA Continuation of Coverage rights should be addressed to the contact or contacts identified below. State and local government employees seeking more information about their rights under COBRA Continuation of Coverage, the Health Insurance Portability and Accountability Act (HIPAA) and other laws affecting group health plans, can contact the U.S. Department of Health and Human Services’ Centers for Medicare and Medicaid Services at:

- https://www.cms.gov/CCIIO/Programs-and-Initiatives/Other-Insurance-Protections/cobra_fact_sheet.html; or
- https://www.cms.gov/CCIIO/Resources/Forms-Reports-and-Other-Resources/index.html#COBRA

Keep Your Plan Informed of Address Changes

In order to protect your family’s rights, you should keep TML Health Benefits Pool informed of any changes in addresses of family members. You should also keep a copy, for your records, of any notices you send to your Employer and TML Health Benefits Pool.
Protecting Your Health Information

A Federal law called Health Insurance Portability and Accountability Act of 1996 (HIPAA), requires the Plan Sponsor of an Unreimbursed Healthcare Spending Account to protect the privacy and security of you and your dependent's health information. The Plan Sponsor and the Plan Administrator take their responsibilities to protect your health information seriously. The Plan Administrator will use and disclose individually identifiable health information only when needed to pay claims submitted for reimbursement under the Unreimbursed Healthcare Spending Account, when needed to administer the Unreimbursed Healthcare Spending Account or when required by law. HIPAA prohibits the Plan Sponsor from using or disclosing any health information from the Unreimbursed Healthcare Spending Account for employment-related actions and decisions, or for the administration of any other employee benefit plan of the Plan Sponsor.

The Plan Sponsor has administrative, physical and technical safeguards in place to protect the privacy of health information. The Plan Sponsor will notify you regarding privacy breaches per Health and Human Services requirements.

In addition to restrictions on how the Plan Sponsor and Plan Administrator may use and disclose individually identifiable health information, HIPAA gives you and your covered dependents certain rights. These rights include the right to access your health information, to amend (or correct) your health information and to receive an accounting of certain disclosures of your health information.

The Plan Sponsor is required to maintain a notice of its privacy practices that explains fully how the Plan Sponsor and its business associates, including the Plan Administrator, may use and disclose your health information and your rights under the Privacy Rule. If you have not received a copy of the Plan Sponsor's notice of privacy practices for your Unreimbursed Healthcare Spending Account, contact the Plan Sponsor.

Dependent Care Reimbursement Account

You may set aside money in your Dependent Care Reimbursement Account to pay childcare expenses up to a maximum of $5,000 or $2,500 per year for married employees who file separate tax returns. Maximum benefits notwithstanding any other provision of this Plan, no Participant shall receive Dependent Care Reimbursement Benefits in excess of $5,000 (or $2,500 in the case of a married Participant filing a separate Federal income tax return) in a calendar year. An eligible expense must enable the employee (and spouse, if married) to be gainfully employed or to look for gainful employment. Special limitations to this account include the following:

- If you are married, your spouse must be employed in a paying job, a full-time student for five (5) months in the year, or disabled.
- The maximum age for eligible children is through age twelve (12). Other dependents (such as children age thirteen (13) and over, parents or spouse) can receive care if they are disabled or cannot otherwise care for themselves because of physical or mental impairments.
- Tuition for private school is not an eligible expense; only Pre-Kindergarten tuition expenses incurred for a day care type facility will be accepted.
- The child or other dependent receiving the care must live in your home and must be claimed as a dependent on your Federal Income Tax Return.
- You must pay a "qualified person" to care for your eligible dependents at your home, at a licensed day care center, at a day camp, or at another location (except overnight camps). A "qualified person"
providing dependent care does not include any of your children under age nineteen (19) or any other person whom you claim as a dependent.

- You must file a Form 2441 with the IRS, including the name, address and taxpayer identification number of the person or organization, providing the dependent care services.

Money from this account will pay your eligible childcare expenses tax-free. Of course, you may be able to claim tax credit for child and dependent care costs. The credit can be claimed when you file your income tax return. For more information about the tax credit, refer to IRS publication 503 – Child and Dependent Care Expenses. The tax credit can be claimed for any expenses not paid through your Dependent Care Reimbursement Account, but you cannot use the tax credit and the Dependent Care Reimbursement Account for the same expenses.

Why You Should Budget Carefully

It is important that you budget carefully when taking advantage of the Dependent Care Reimbursement Account. The same tax law that permits this benefit also specifies that any money that is left in your account at the end of the plan year must be forfeited. Your account balance cannot be transferred to your Unreimbursed Healthcare Spending Account or carried forward to the next year. However, you will have ninety (90) days after the end of the plan year to claim dependent care expenses incurred in the previous plan year before any unused balance is forfeited.

Even if you should over budget and have some money remaining unused in your account, you may still benefit due to the amount of your tax savings.

Once Enrolled, You May Not Change Your Election for the remainder of the Plan Year unless a qualifying event occurs.

How to Get Reimbursed

Claiming your before-tax dollars to pay covered childcare expenses is an easy process. In addition, the childcare must be provided during the plan year for which you have set up your account. The recurring expense form may be used for an automated dependent care reimbursement.

Your expenses will be reimbursed up to the amount in your Dependent Care Reimbursement Account. You will be reimbursed for the remainder of your expenses as money is deposited into your account on the first of each month.

Step 1

When you have a covered childcare expense, obtain a bill or receipt once dependent care has been incurred. This is your documentation for the expense. This documentation must include the name of the child/children the care was provided for along with the date the care was provided and the amount charged. If a bill or receipt is not available, your childcare provider can document your expense using the Statement of Certification provided at the bottom of the dependent care reimbursement form or the covered participant may execute a recurring expense form which requires the childcare provider’s signature.
Step 2
Fill out the dependent care reimbursement claim form and if appropriate, a recurring expense form. (A copy of the form is included in this booklet.) Be sure to attach proper documentation for the expense to the form. Documentation includes one of the following:
- Bill
- Receipt
- Statement of Certification

Step 3
Mail your completed reimbursement claim form and documentation to:
TML Health Benefits Pool | PO Box 140167 | Austin, Texas 78714-0167
Fax: 512-719-6505

Step 4
The covered participant will receive an FSA Account reimbursement check made out to the covered participant and mailed to the home address.
Claims are paid within ten (10) working days from the day of receipt.
A cafeteria plan may include a “spend-down” provision allowing employees who ceased participation (e.g., because of termination of employment) to be reimbursed for eligible dependent care expenses from the dependent care account through the end of the plan year.

Typical Eligible Medical or Medical-Related Expenses
The following, while not intended to be complete, illustrates medical or medical-related expenses, which may be eligible as part of the Flexible Benefits plan under Internal Revenue Service (IRS) Code Section 213 rules. The list originates from a database of more than 55,000 health and beauty aid items that is continually updated with new product introductions and discontinuations. For complete details, please refer to IRS http://www.irs.gov publication 502 – Medical and Dental Expense.

Eligibility Status Definitions
Eligible products include over the counter products that are for medical care and are primarily for medical purposes. They include medicines or products that diagnose, alleviate or treat existing or imminent injuries, illnesses or medical conditions. These drugs and products are not cosmetic in nature, or merely beneficial to general health or used for personal hygiene. As a general rule, most of these products are of short-term use but some do treat chronic medical conditions. Qualified medical expenses include those expenses compliant with federal tax deductions under Section 213(d) as outlined by the Internal Revenue Service.

Not Included as Eligible Products for Approval Dual-Purpose
Some products are considered dual-purpose. These products may have both a medical purpose and a personal/cosmetic or general health purpose. In order to be considered eligible, they must be used to treat a medical condition and cannot be used to improve or maintain general health unless prescribed by a physician to treat a specific illness, condition, or injury. These products may be eligible for reimbursement, but require a letter of medical necessity from a licensed healthcare professional stating the specific diagnosis or medical condition, the specific over the counter medicine recommendation to treat the condition and documentation of the product and cost.
Eligible Over the Counter (OTC)

Eligible products include OTC products that are for medical care and are primarily for a medical purpose. They include products (other than OTC medicines or drugs) that diagnose, alleviate or treat existing or imminent injuries, illnesses or medical conditions. As a general rule, most of these products are of short-term use but some do treat chronic medical conditions. Qualified medical expenses include those over-the-counter items compliant with federal tax rules under IRS Code Section 213(d) as outline by the Internal Revenue Service. In these cases, the expense would not have been paid “but for” the disease or illness. An expense is not deductible as medical care if the taxpayer would have paid the expense even in absence of a medical condition. The user does not need to provide a statement from a medical provider or indicate a diagnosis in order to receive reimbursement. Taxes, shipping and surcharge/convenience fees (as permitted by law and card brand/network regulations) directly associated with the purchase of an eligible product can be included.

Prescribed Drugs and Medicines, including Prescribed Over the Counter (OTC)

Drugs and medicines prescribed by a licensed medical professional and dispensed in accordance with state laws including the generation of a Prescription Number are considered Eligible by the IRS. This includes OTC Drugs and medicines other than dual-purpose. Since the prescription serves as the determination of medical eligibility in a merchant location with a properly configured Pharmacy and IAS POS system, no additional checks are required. These items will not be listed on the Eligible Products list due to their separate processing rules.

Dual-Purpose

Some products are considered dual-purpose. These products may have both a medical purpose and a personal hygiene, cosmetic or general health purpose. In order to be considered eligible, they must be used to treat a medical condition and cannot be used to improve or maintain general health unless prescribed by a physician to treat a specific illness, condition, or injury. These products may be eligible for reimbursement, but require a letter of medical necessity from a licensed healthcare professional stating the specific diagnosis or medical condition, the specific OTC medicine recommendation to treat the condition, and documentation of the product and cost. Dual-purpose items will not be included in the SIGIS List.

Ineligible

Certain products that merely benefit general health or are for cosmetic/personal hygiene are not reimbursable. Typically, these are not referred to as medicines or drugs and are not recognized to treat a medical condition. Medical expenses that are not reimbursable under Section 213(d) of the federal tax code are ineligible. These include food supplements, toiletries, lotions and soaps, shampoos, vitamins and most herbal supplements.

PURSUANT TO SECTION 9003 OF THE PATIENT PROTECTION AND AFFORDABLE CARE ACT OF 2010, REIMBURSEMENTS FOR EXPENSES INCURRED FOR A MEDICINE OR A DRUG SHALL BE TREATED AS A REIMBURSEMENT FOR MEDICAL EXPENSES ONLY IF SUCH MEDICINE OR DRUG IS A PRESCRIBED DRUG (DETERMINED WITHOUT REGARD TO WHETHER SUCH DRUG IS AVAILABLE WITHOUT A PRESCRIPTION) OR IS INSULIN.

Abortion – Medical expenses associated with a legal abortion due to rape, incest or is life threatening to the mother, are reimbursable.

Acid controllers – Pepcid AC, Zantac, Prilosec (not included in eligible product list)
Acid reducer – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011. Pepcid AC, Zantax, Prilosec

Acne medication – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011. Clearasil, OXY (not included in eligible product list)

Acupressure treatments – Products that treat a medical condition are eligible. Weight-loss products are dual purpose.

Acupuncture – Medical expenses paid for acupuncture are reimbursable.

After-school care or extended day programs (supervised activities for children after the regular school program) – Will qualify if used to enable the employee and spouse to be gainfully employed. These programs generally are not educational in nature. Their primary purpose is to care for children while parents are at work. However, educational expenses (e.g., tuition) will not qualify.

Agency fee – Will qualify if it is an expense that must be paid in order to obtain the related care. However, the fee should not be reimbursed until care is provided. Fees that are forfeited (e.g., because the employee selects a different provider) will not qualify.

Air filter – If prescribed to treat a specific medical condition, this expense is reimbursable. Also see Personal use items.

Air purifier – To show that the expense is primarily for medical care, a prescription order recommending the item to treat a specific medical condition will be required.

Alcoholism and drug abuse – Medical expenses paid to a treatment center for alcohol or drug abuse are reimbursable. This includes meals and lodging provided by the center during treatment.

Alternative medicine – See Naturopathy.

Allergy medicine – Expenses to alleviate or treat injuries or sickness with a prescription. Alavert, Benadryl, Claritin, Sudafed

Allergy & sinus – Alavert, Benadryl, Claritin, Sudafed (not included in eligible product list)

Allergy pillows, mattress covers, air purifiers, filters, etc. – Treat allergies diagnosed by physicians.

Ambulance – Medical expenses paid for ambulance service are reimbursable.

Antacid – To alleviate or treat sickness with a prescription, includes gum liquid and tablets.

Anti-bacterial hand sanitizers – Purell, Nexcare, Germ-X personal use component; but for test must be established

Antibiotic products – Bacitracin, Neosporin, triple antibiotic ointment (not included in eligible product list)

Anti-diarrhea medication – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011. Imodium, Kapectate (not included in eligible product list)

AntiGas – Gas-X, Phazyme with physician order

Antifungal (Foot) – Lamisil, Lotrimin (not included in eligible product list)

Antiparasitic treatments – Nix, Rid, lice treatments

Antiseptics & wound cleansers – Rubbing alcohol, peroxide, Epsom salt, betadine, hibiclens

Anti-itch lotion – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011. Caladryl, Lanacane, Sarna, hydrocortisone (not included in eligible product list)
Antiparasitic treatments – Nix, Rid, lice treatments (not included in eligible product list)

Antiseptic wash & wound care – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011. Rubbing alcohol, peroxide, Epson salt, Betadine, Hibiclens (not included in eligible product list)

Antihistamine – To alleviate or treat sickness with prescription

Application fee – Will qualify if it is an expense that must be paid in order to obtain the related care. However, the fee should not be reimbursed until care is provided. Fees that are forfeited (e.g., because the employee selects a different provider) will not qualify.

Artificial limb – Medical expenses paid for an artificial limb are reimbursable.

Artificial teeth – See Medical aids.

Aspirin – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Assisted living – See Custodial Care and Elder Care.

Attendant – See Nursing services.

Au pair – Amounts paid to an au pair to care for a qualifying individual may qualify as dependent care assistance expenses. In addition, an up-front fee paid to employ the au pair may qualify as a child-care expense if it is an expense that must be paid in order to obtain the related care, but it should not be reimbursed until care is provided.

Autoette – See Wheelchair.

Automobile – See Car.

Baby diapers – Huggies, Pampers, Pullups to treat juvenile incontinence or medical condition

Baby formulas/nutritionals – Pediasure, Progestimila specialty formulas/nutritionals are covered if medically necessary and authorized by medical practitioner. Only the excess cost between regular formula and the specialized formula may be eligible under an employer’s plan.

Baby electrolytes and dehydration – Pedialyte, Enfalyte baby electrolytes and dehydration

Baby rash ointments & creams – Desitin, Aveeno Baby includes petroleum jelly merchandized and marketed for baby rash (not included on eligible product list)

Baby teething pain – Baby Orajel, Anbesol Baby Oral Gel (not included in eligible product list)

Babysitting and child care – These expenses are not reimbursable under a health FSA, even if the care allows a parent to get medical care. Also see Dependent care expenses.

Backup or emergency care – Will qualify if used to enable the employee and spouse to be gainfully employed and other applicable conditions are met.

Bandages – Medical supplies such as bandages used to cover torn skin.

Before-school care – See After-school care.

Benzocaine swabs – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Birth control pills – Medical expenses paid for birth control pills prescribed by a doctor are reimbursable. Morning-after pill, female contraceptives, spermicidal foam (not included in eligible product list)

Boarding school – Generally will not qualify.
Boric acid powder – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Braille books and magazines – Medical expenses for the cost of Braille books and magazines for use by a visually impaired person that is more than the price for regular books and magazines are reimbursable.

Breast augmentation – Expenses related to breast augmentation (such as implants or injections) are not reimbursable because the procedure is cosmetic in nature. However, medical costs related to the removal of breast implants that are causing a medical problem are reimbursable.

Breast pump and breast feeding supplies – Prescribed breast pump and breast feeding supplies used for the convenience of the mother is reimbursable. Breast Pump (cost or rental fee), Breast Pump Parts (pump valve, replacement tubing piston unit, diaphragms, pump body, flange, shield), Storage Bottles, Storage Bags, Gel Pads, Nursing Pads, Nipple Shields, Nursing Pillows and Covers, Nursing Bras, Bra Shields, and Coolers, Conversion Kits, Areola Stimulator, Car Adapter

Breast reconstruction surgery – Medical expenses related to breast reconstructive surgery are reimbursable only if physician substantiates that the procedure is due to medical necessary surgery (due to an illness or disease).

Breast reductions – Medical expenses related to breast reduction surgery are reimbursable only if a physician substantiates that the procedure is medically necessary and not for cosmetic purposes (that is, to prevent or treat an illness or disease).

Bronchial asthma inhalers – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Broncholiquidator/Expectorant tablets – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Bunion and blister treatment – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Cancer insurance – See Supplemental insurance policies.

Capital expenses – If their main purpose is medical care, capital expenses paid for special equipment installed in a participant’s home or for improvements to the home are reimbursable. For further details, see discussion under the heading, “Capital Expenses” found later in this booklet.

Car – Medical expenses are reimbursable for special hand controls and other special equipment installed in a car for the use of a person with disabilities. Also, the amount by which the cost of a car specially designed to hold a wheelchair exceeds the cost of a regular car is a reimbursable medical expense. However, the cost of operating a specially equipped car is not reimbursable (see Transportation).

Chair – The cost of a reclining chair purchased on the advice of a physician to alleviate a heart, back or other condition is reimbursable.

Childcare – See Dependent care expenses.

Childbirth classes – Expenses for childbirth classes are reimbursable, but are limited to expenses incurred by the mother-to-be. Expenses incurred by a “coach”—even if that is the father-to-be are not reimbursable. To qualify as medical care, the classes must address specific medical issues, such as labor, delivery procedures and breathing techniques.

Chiropractor – Expenses paid to a chiropractor for medical care are reimbursable.

Christian Science practitioners – Medical expenses paid to Christian Science practitioners are reimbursable.
Church of Scientology – See Scientology “audits”.

Clinic – Medical expenses for treatment at a health clinic are reimbursable.

COBRA premiums – COBRA premiums may not be reimbursed through their health FSAs.

Coinsurance amounts – Medical coinsurance amounts and deductibles are reimbursed.

Cold medicine – Alleviate or treat injuries or sickness with a prescription.

Cold relief syrup – See Cold medicine.

Cold relief tablets – See Cold medicine.

Cold sore medication – Includes fever blister medication; Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011. Only medicated products are covered.

Commuting costs – See Trips.

Compression hosiery – Jobst, TED, Futuro including diabetic socks; may be reimbursed for cost in excess cost over regular hose and socks

Contact lenses – See Vision care.

Condoms – Condoms are eligible for reimbursement.

Contraceptives – Condoms (with and without spermicide), Trojan, Durex, Lifestyle (Excludes drugs and medicines which require a prescription.)

Cord blood storage – Cord blood storage for a healthy baby should not be reimbursed through an FSA. Cord blood is not stored to do things that constitute “medical care,” but instead to be available to potentially provide medical care in the future – if necessary. If, however, the child has a specific medical condition that the cord blood is intended to treat, then storage should be a reimbursable expense.

Corn and callus removal medication – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011

Cosmetic surgery – Medical expenses for cosmetic surgery are reimbursable if the surgery is necessary to improve a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease. However, medical expenses paid for other cosmetic surgery are not reimbursable under a health FSA. This applies to any procedure that is directed at improving the patient’s appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease. For example, face lifts, hair transplants, hair removal (electrolysis) and liposuction generally are not deductible. If there is a concern that a medical or dental surgery could be considered cosmetic, a doctor’s certification should be obtained explaining how the procedure meaningfully promotes the proper function of the body or prevents or treats an illness or disease. This will help ensure that the claim is reimbursable.

Cotton balls – Only sterile cotton balls are eligible, non-sterile are considered dual purpose.

Cough, cold & flu dietary supplements – Airborne, hall’s Defense, Germ Defense Alka Seltzer Immunity products that are merely dietary supplements and marketed as such, including those claiming to “support the immune system” (i.e. Airborne), are not covered (dual). Cold preventative products which are “proven to lessen the severity” or “reduce the duration” of colds or flu are covered. These include homeopathic, natural products, some herbals and some forms of zinc.

Cough drops – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Cough syrup – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Crutches – Medical expenses paid to buy or rent crutches are reimbursable.
Custodial care – Will qualify only if (1) such expenses are not attributable to medical service; (2) the person in custody is a qualifying individual [other than a qualifying child under age thirteen (13)], and (3) the qualifying individual spends at least eight (8) hours each day in the employee’s household.

Dancing lessons, swimming lessons, etc. – Dancing lessons, swimming lessons, etc., are not reimbursable even if they are recommended by a doctor.

Day camp – The cost of a day camp or similar program to care for a qualifying individual may qualify, even if the day camp specializes in particular activities. Summer school expenses are considered primarily educational rather than for care and will not qualify. Note that, depending on the circumstances, a day camp may be considered a dependent care center.

Day care – See Dependent care expenses.

Deductibles – Medical insurance deductibles and coinsurance amounts under the employer’s plan are reimbursable.

Dental repair – Temporary dental repair products are eligible.

Dental treatment – Medical expenses for dental treatment are reimbursable. This includes fees paid to dentists for X-rays, fillings, braces, extractions, dentures, etc. Also see Cosmetic surgery.

Denture adhesives, repair, and cleansers – Denture products and maintenance covered, includes PoliGrip, Benzodent, Plate Weld, and Efferdent.

Denture pain relief

Dependent care – Dependent care expenses (under Section 129, Internal Revenue Code) are not reimbursable under an Unreimbursed Healthcare Account, but may be reimbursable under a Dependent Care Spending Account.

Dependent care center – Will qualify if the center meets the requirement of Code 21(b)(2)(C) including compliance with all applicable laws and regulations. Note that depending on the circumstances, a day camp may be considered a dependent care center.

Diabetes Care – Testing (meters, strips, lancets, alcohol swabs), dosing (syringes, pens, etc.), glucose are eligible. OTC medicines and personal care are eligible or dual purpose.

Diabetes nutritionals – Glucerna, boost glucose to treat symptoms of diabetes when recommended by physician

Diabetes personal care & supplies – Include diabetes skin care, cough & cold, support socks and supplies. Personal care is generally not covered; must test or treat a specific symptom or condition of Diabetes.

Diabetes testing & aids – Ascensia, One Touch, insulin syringes, glucose products (includes glucose tabs/gels, testing and insulin related accessories

Diabetic supplies – Includes lancets, test strips and other supplies.

Diagnostic devices – Medical expenses for the cost of devices used in diagnosing and treating illness and disease. Thermometers, blood pressure monitors, cholesterol testing. Example: A diabetic patient may use a blood sugar test kit to monitor your blood sugar level. The cost may include the cost of the blood sugar test kit in your medical expenses. Drug and body fat testers are not covered.

Diagnostic products – Cholesterol screening, thermometers, blood pressure monitors, cholesterol testing. Includes devices that monitor, screen or test for the presence of disease, dysfunction of the body or for other medical conditions; drug, alcohol and body fat testers are dual-purpose.
Diapers – Juvenile Incontinence – Products marketed for juvenile incontinence only. Regular diapers and training pants are not eligible.

Diaper service – Payments for diapers or diaper services are not reimbursable unless they are needed to relieve the effects of a particular disease. Products marketed for juvenile incontinence only. Regular diapers and training pants are not eligible.

Dietary supplements – Essential fatty acids (fish oil), soy, enzymes, amino acids under narrow circumstances, they will be eligible if used to treat a medical condition or at-risk for illness diagnosed by physician, dietary supplement marketed in pain relief, cough & cold and antacids/laxative categories do not automatically qualify as a medical expense 9i.e, Azo Cranberry, Airborne, Culturelle, etc.)

Diets – See Special foods.

Digestive aids – Lactaid, Lactase, Beano with physician order only

Disability – See Braille books and magazines; Capital expenses; Car; Guide dog or other animal; Learning disability; Lifetime care; Mentally retarded, special home for; Personal use items; Schools, special; Television; Therapy; Transportation; and Wheelchair. Also see discussion under the heading “Capital Expenses” found later in this booklet.

Disabled dependent care expenses – Medical expenses may include work related expenses for the purpose of taking a credit for dependent care. The requirement that at least eight (8) hours per day be spent in the employee’s household in order for care provided outside the employee’s household to qualify for reimbursement does not apply to a qualifying child under the age thirteen (13), whether or not the qualifying child is incapable of self-care. Any care outside the household must enable the employee and spouse to be gainfully employed.

Distilled water – If it serves a medical purpose.

Divorce – No, even when a doctor or psychiatrist recommends it.

Drug & alcohol testing kits – First check drug testing, alcohol breathalyzer. Diagnostics of illegal activities are not eligible.

Drug addictions – See Alcoholism and drug abuse.

Drug testing kits – Diagnostics of illegal activities are typically not covered.

Drugs – See Medicines.

Durable Medical Equipment – Wheel Chairs, Crutches, and Oxygen Machines can be included when manufacturer provides UPC; merchants can mark non-UPC tagged items as private label items

Ear care – Medicated ear drops, syringes, and ear wax removal

Ear piercing – Expenses for ear piercing are not reimbursable.

Ear plugs – Mack’s, Flent to treat medical condition (presence of middle/inner ear tubes) diagnosed by physician

Ear water-drying aid – If it serves a medical purpose.

Ear wax removal drops – If it serves a medical purpose.

Eczema cream – If it serves a medical purpose.

Egg donor fees and expenses – The Unreimbursed expense for egg donor fees for an attempted pregnancy. The agency fee for procuring the donor and coordinating the transaction between the donor and recipient, medical and psychological testing of the donor, and the legal fees for preparing a contract between the recipient and the donor are deductible medical expenses under Code Section 213.
Elastics/Athletic treatments – ACE, Futuro, elastic bandages, braces, hot/cold therapy, orthopedic supports & rib belts, etc. Waist shapers, tummy supports, work related back braces and products indicated as “Athletic” or “Sport” are not covered as they are considered dual purpose.

Elder care – Will qualify only if (1) such expenses are not attributable to medical services, (2) the elderly person is a qualifying individual; and (3) in the case of services provided outside the employee’s household, the person still regularly spends at least eight (8) hours each day in the employee’s household. Elder day care will often qualify, but around-the-clock care in a nursing home will not. Note that long-term care insurance cannot be offered under a cafeteria plan.

Electrolysis or hair removal – See Cosmetic surgery.

Employment-related expenses – Employment-related expenses such as employment physicals are not reimbursable. (Note, however, that physical exams that are not employment-related are reimbursable. See Physical exams).

Employment taxes – See Nursing services.

Enemas – Bags, Syringes, prefilled saline enemas - Fleet

Equipment, diagnostic devices – For the diagnosis, cure, mitigation, treatment or prevention of disease, or purpose of affecting any body structure or function.

Equipment, supplies, and diagnostic services – Equipment such as crutches, supplies such as bandages and diagnostic devices such as blood sugar kits may be deductible medical expenses if they are for the diagnosis, cure, mitigation, treatment or prevention of disease, or for the purpose of affecting the body structure or function.

Exercise equipment – To treat medical condition diagnosed by physician, not for general health

Exercise programs – If prescribed by a physician to treat a specific medical condition, exercise programs are related to general health and are not reimbursable.

Eye care – Contact lens care, eyeglass repair kits; visine refresh tears not included in eligible product list

Eye drops – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Eyeglasses – See Vision care.

Eye surgery – Expenses for eye surgery to treat defective vision such as laser eye surgery or radial keratotomy are reimbursable.

Face lifts – See Cosmetic surgery.

Face/Respiratory masks – medical grade or commercial/consumer – 3M cold weather, pollen/dust filtering masks, used for work/general health needs

Family planning – Pregnancy kits, ovulation kits.

Feminine antifungal and anti-itch - Monistat, Gyne-Lotrimin, Vagisil, Soothing Care

Feminine moisturizing – Raplens, Rephresh to treat vaginal dryness caused by medical condition

Feminine protection (pads & liners) – Kotex, Always, Stayfree they are ordinarily considered as being used to maintain general health and for personal care. They are dual if used for post-surgery or child birth.

Fertility – Medical expenses related to the treatment of infertility, including in vitro fertilization, are reimbursable.
Fiber laxatives (bulk forming) – Benefiber, Fibercon, Metamucil (powder or pills) not included in eligible product list unless covered to treat a medical condition for a short duration; bars and drinks that are “nutritional foods” for help with regularity are not covered due to (dual) purpose.

FICA and FUTA taxes of daycare provider – The overall expenses of the care provider will qualify.

First aid burn & scar treatments & skin protectants (petroleum jelly) – Aloe, Mederma, Neosporin Scar Solution, Vaseline Jelly prescribed by a physician for a burn. Tapes and bandages indicated as “Athletic” or “Sport” are not covered.

First aid dressing, supplies, and wipes – Band-Aid, 3M Nexcare, J&J First Aid, non-sport tapes; medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011. Tapes and bandages indicated as “Athletic” or “Sport” are not covered.

Fitness/exercise classes – Only if prescribed by physician for a medical condition.

Fitness programs – Fitness programs or physical therapy for general health are not reimbursable.

Finance charge – See Missed-appointment fees.

Flu relief tables or liquid – See Cold medicine.

Fluoride treatments – Gel-Kam to treat medical condition diagnosed by physician and not for general oral care

Food – See Special foods.

Food thickeners – Thick-it for test must be established

Foot care treatment – Products that treat specific ailments are eligible: un-medicated corn & callus treatments (e.g., callus cushions), devices, therapeutic insoles; products for general use or comfort are not eligible. Products that create specific ailments are eligible; products for general use or comfort are not eligible (due to dual use).

Foot insoles and cushioning – Insoles, Heel & Arch, Dr. Scholl’s Air Pillo, Odor Eaters treatment vs general use for comfort, must treat specific ailment to be covered

Foreign countries – Medical expenses incurred in foreign countries outside the United States are reimbursable.

Formula, infant – Formula for an infant is not considered an eligible benefit, even if the mother is unable to breast feed. It is viewed as food that satisfies normal nutritional requirements.

Founder’s fee – See Lifetime care.

Funeral expenses – Expenses for funerals are not reimbursable.

Gas treatments – Includes gas prevention food, enzyme dietary supplements and gas relief drops for infants and children Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Gender reassignment – Expenses incurred for gender reassignment surgery and hormone therapy are deductible under Section 213. The IRS announced in Action on Decision (AOD) 2011-03 that it acquiesced to the Tax Court ruling in O’Donnablain v. Commissioner, 134 T.C. 34 (2010). In that ruling the Tax Court held that because in its view hormone therapy and sex reassignment surgery treat a disease – gender identify disorder – they are medical care and the expenses for that medical care are deductible under Section 213.

Gloves (rubber & cotton) – Protective gloves of any type & cotton beauty gloves are dual purpose and not covered.

Glucosamine and/or chondroitin – Osteo Bi-Flex, Cosamin D, Flex-a-min Nutritional Supplements, medical expenses as long as products are marketed for arthritis treatment (as opposed to mere prevention)
Glucose meters — Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Group medical insurance — See Insurance premiums.

Guide dog or other animal — The cost of a guide dog or other animal used by the visually impaired or hearing impaired is reimbursable. Costs associated with a dog or other animal trained to assist persons with other physical disabilities are also reimbursable, as are amounts paid for the care of these specially trained animals.

Hair growth product — Rogain to treat symptom of medical condition diagnosed by physician

Hair transplant — See Cosmetic surgery.

Hand sanitizer — Will not qualify if used for general health, may qualify if used to treat or alleviate a specific medical condition.

Head lice products — Nix Lice Comb, Rid Lice Comb

Headache medications — Must be prescribed.

Health care services — Urgent Care or Primary Care services provided by a licensed practitioner at an HIAS merchant.

Health club dues — Health club dues, YMCA dues, or amounts paid for steam baths for general health or to relieve physical or mental discomfort not related to a particular medical condition are not reimbursable unless incurred to fight a physician-diagnosed disease state of obesity.

Health institute — Medical expense fees you pay for treatment at a health institute only if the treatment is prescribed by a physician and the physician issues a statement that the treatment is necessary to alleviate a physical or mental defect or illness of the individual receiving treatment.

Health supports — Any products with a primary purpose of sports or work/industrial are dual purpose and not eligible. Ace, Futuro, braces, elastic bandages, hot/cold therapy, orthopedic supports, rib belts, back braces, etc.

Healthy baby care — See Nursing services.

Hearing aids/medical batteries — Medical expenses for a hearing aid and batteries are reimbursable. The cost of hearing aid repairs is a qualified medical expense.

Heartburn medicines — Heartburn medicines, including antacids, purchased for personal use of the employee, spouse or dependent to alleviate or treat personal injuries or sickness, without a prescription, are reimbursable.

Hemorrhoid treatments — Must be prescribed, even if available without a prescription.

Herbal and botanicals — Under narrow circumstances, they will be eligible if used to treat medical conditions or at-risk for illness diagnosed by a physician.

Home exercise equipment — Expenses for home exercise equipment are reimbursable only if all of the following conditions are met:

• The home exercise equipment is prescribed by your physician to treat an illness (including obesity) or bodily impairment;

• Your physician certifies, in writing, that the home exercise equipment is medically necessary to treat a disease or impairment and is not being prescribed to promote general health; and

• You certify, in writing, that you would not have purchased the home exercise equipment for any other reason than treating your disease or bodily impairment.
Home health care (limited segments) – Ostomy, walking aids, decubitus/pressure relief, enteral/parenteral feeding supplies, patient lifting aids, orthopedic braces/supports, splints & casts, hydrocollators, nebulizers, electrotherapy products, catheters, un-medicated wound care, wheel chairs. Home Health Care is dual-purpose and not eligible other than what is indicated in Home Health Care eligibility section.

Home health care services (limited segments) – Urgent Care or Primary Care services provided by a licensed practitioner at an IIAS merchant.

Homeopathic earache tablets – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Homeopathic remedies – Products that treat an illness or condition that are eligible with a prescription

Hormone replacement – Will qualify if used primarily for medical care. Will not qualify for maintaining general health. Prescription order will be required.

Hospital expenses – Expenses incurred as a hospital inpatient or outpatient for laboratory, surgical and diagnostic services qualify as medical expenses.

Hot & cold therapy – ACE Hot/Cold Compress, Cara Ice Bag, Bed buddy Back Wrap, Kaz Heating Pad, ThermaCare Heat Wrap

Hot tub – See Capital expenses.

Household help – The cost of household help, even if recommended by a doctor, is not reimbursable. However, certain expenses paid to an attendant providing nursing-type services are reimbursable (see Nursing services).

Human guide – Expenses for a human guide – to take a blind child to school, for example – are reimbursable. Also see Guide dog or other animal.

Hydrogen peroxide – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Hypnosis – If the care is rendered by a licensed health care professional for a specific illness or disorder, it can be reimbursed from the FSA.

Imported drugs – Imported drugs are not generally reimbursable FSA expenses because most are not legally imported by individuals. Prescription drugs that the FDA has announced may be legally imported by individuals are, however, reimbursable FSA expenses.

Impotence or sexual inadequacy – Medical expenses related to the treatment of impotence are reimbursable if substantiated by a physician.

Incontinence protection & treatment products – Attends, Depend, GoodNites for juvenile incontinence, Prevail. Skin and cleansing products are not covered (dual).

Incontinence protection personal care – Attends, Depend, Prevail, GoodNites, Underjams

Infant formula – See Formula, infant.

Infertility – See Fertility.

Insulin – The cost of insulin is reimbursable.

In-patient meals – See Lodging and meals.

In-vitro fertilization – See Fertility.

Insurance premiums – Premiums for any health plan are not reimbursable under a Health FSA; some policies may be under premium conversion.
Iodine tincture – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Ipecac syrup – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Kindergarten – Such expenses are primarily educational in nature, whether half or full day, private or public school, state-mandated, or voluntary.

Laboratory fees – Laboratory fees that are part of medical care are reimbursable.

Laetrile – Laetrile, even if prescribed by a doctor is not reimbursable.

LASIK – The cost of laser surgery to correct or promote the proper function of the eye is reimbursable. Also see Radial keratotomy.

Late fees – Probably will qualify if for late pickup (i.e., the fee is charged to care for the child because the child was picked up late) the payment still relates direct to the care of the child. The fee will not qualify if the late payment is because the child care bill was paid late.

Laxatives – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Lead-based paint removal – The cost of removing lead-based paints from surfaces in a home to prevent a child who has (or has had) lead poisoning from eating the paint is reimbursable. These surfaces must be in poor repair (peeling or cracking) or within the child’s reach. The cost of repainting the scraped area, however, is not reimbursable.

Learning disability – Tuition payments to a special school for a child who has severe learning disabilities caused by mental or physical impairments, including nervous system disorders, are reimbursable. A doctor must recommend that the child attend the school. See Schools, special. Also, tutoring fees paid on a doctor’s recommendation for a child’s tutoring by a teacher who is specially trained and qualified to work with children who have severe learning disabilities are reimbursable.

Legal fees – Legal fees paid to authorize treatment for mental illness are reimbursable. However, any part of a legal fee that is a management fee - for example, a guardianship or estate management fee - is not reimbursable.

Lice treatment – Must be prescribed, even if available without prescription.

Licensing requirement – Neither the tax code nor IRS regulations require a plan participant to determine whether a provider is qualified, authorized under state law or licensed to practice before using his/her services. In Revenue Ruling 63-91, the IRS ruled that: “Amounts paid for medical services rendered by practitioners, such as chiropractors, psychotherapists, and others rendering similar type services, constitute expenses for ‘medical care’ within the provisions of section 213 of the Code, even though the practitioners who perform the services are not required by law to be, or are not (even though required by law) licensed, certified, or otherwise qualified to perform such services.” The main issue is the nature of the treatment, not the license held by the practitioner.

Thus, services provided by a range of organizations and individuals may be reimbursable, including care provided by hospitals, medical doctors, dentists, eye doctors, chiropractors, nurses, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, psychoanalysts and others.

Life insurance premiums – Life insurance premiums are not reimbursable in a Health FSA.

Lifetime care – Part of a life-care fee or “founder’s fee” paid either monthly or as a lump sum under an agreement with a retirement home is reimbursable if it is allocable to medical care. The agreement must require a specified fee payment as a condition for the home’s promise to provide lifetime care, treatment and training of an employee’s physically or mentally impaired dependent upon the employee’s death or
inability to provide care are reimbursable. The payments must be a condition for the institution’s future acceptance of the dependent and must not be refundable.

Lip balms – Sun Care Lip balms which are part of a Sun Care line and have an SPF 15+ and state UVA/UVB are eligible.

Liposuction – See Cosmetic surgery.

Lodging and meals – The cost of lodging and meals at a hospital or similar institution are reimbursable if the employee’s main reason for being there is to receive medical care. Also see Nursing home.

The cost of lodging not provided in a hospital or similar institution while an employee is away from home is reimbursable if four requirements are met:

1. The lodging is primarily for and essential to medical care;
2. Medical care is provided by a doctor in a licensed hospital or in a medical care facility related to, or the equivalent of, a licensed hospital;
3. The lodging is not lavish or extravagant under the circumstances; and
4. There is no significant element of personal pleasure, recreation or vacation in the travel away from home. The reimbursable amount cannot exceed $50 for each night for each person. Lodging is included for a person assisting the person receiving the medical care. For example, if a parent is traveling with a sick child, up to $100 per night is reimbursable as a medical expense for lodging. Meals and lodging away from home for medical treatment that is not received at a medical facility, or for the relief of a specific condition, are not reimbursable even if the trip is made on the advice of a doctor.

Long-term care insurance premiums – Long-term care insurance premiums are not reimbursable under a medical FSA. (LTC Insurance plans as defined under Section 7702B to be offered through Cafeteria Plans to the extent the amount of payment does not exceed long-term care premiums as defined by Section 213(d)(10).

Magnifying glasses - Corrective lenses and frames are covered.

Marijuana – Marijuana, even if prescribed for medicinal purposes, is not a reimbursable expense.

Marriage counseling – Expenses for marriage counseling services do not qualify as medical expenses. However, sexual inadequacy or incompatibility treatment is reimbursable if the treatment is provided by a psychiatrist.

Massage – Fees paid for massages are not reimbursable unless prescribed and substantiated by a physician to treat a physical defect or illness.

Mastectomy related special bras – Will qualify when incurred following a mastectomy for cancer.

Maternity clothes – Expenses for maternity clothes are not reimbursable.

Mattresses – Mattresses and mattress boards designed for use in the treatment of arthritis are reimbursable.

Meals – See Lodging and meals.

Medical aids – Expenses for medical aids are reimbursable. Medical aids such as false teeth, hearing aids, orthopedic shoes, crutches and elastic hosiery are reimbursable.

Medical alert devices – Personal emergency transmitters worn as a bracelet or necklace are not reimbursable.

Medical conferences – Expenses for admission and transportation to a medical conference are reimbursable if the medical conference concerns the chronic illness of yourself, your spouse or your dependent. The costs of the medical conference must be primarily for and necessary to the medical care of you, your spouse or
your dependent. You must spend the majority of your time at the conference attending sessions on medical information. The cost of meals and lodging while attending the conference is not reimbursable.

**Medical information plan** – Amounts paid to a plan that keeps medical information so that it can be retrieved from a computer data bank for medical care are reimbursable.

**Medical nutritionals** – Treats a specific condition and prescribed by a physician

**Medical Savings Accounts (MSAs)** – MSAs cannot be offered as part of a flex plan or FSA.

**Medical services** – Only legal medical services are reimbursable. Amounts paid for illegal operations or treatments, regardless of whether they are rendered by licensed or unlicensed practitioners are not reimbursable.

**Medicare Part A** – The tax paid for Medicare Part A is not reimbursable.

**Medicare Part B** – Premiums paid for Medicare Part B are not reimbursable.

**Medicare Part D** – A voluntary prescription drug insurance program for persons with Medicare A or B. You can include as a medical expense, premiums you pay for Medicare Part D.

**Medicated & specialty soaps** – to treat skin condition diagnosed by physician

**Medicated bath products & specialty soaps** – Medical expenses; Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011 or to treat a specific condition diagnosed by a physician. Basis Bar, Cetaphil Cleansing Bar to treat skin condition diagnosed by physician

**Medicated chest rub** – See Cold medicine.

**Medicated nasal sprays, drops & inhalers** – Afrin Spray (not included in eligible product list)

**Medicated respiratory treatments and vapor products** – Primatene, Bornkaid, medicated Vics Vapor Rub, includes asthma medications and delivery devices like inhalers and nebulizers; vaporizers and humidifiers not covered (dual)

**Medicines** – Amounts paid for domestic purchased prescribed medicines and drugs are reimbursable.

**Menstrual care products** – The CARES Act that was signed into law on March 27, 2020, allows consumers to purchase or receive reimbursement for OTC medications and menstrual care products through an HSA, FSA or HRA without regard to whether the medications are prescribed.

**Mentally handicapped, retarded, special home for** – The cost of keeping a mentally retarded person in a special home (not the home of a relative) on the recommendation of a psychiatrist to help the person adjust from life in a mental hospital to community living is reimbursable.

**Minerals** – Calcium Carbonate, Ferrous, Sulfate under narrow circumstances, they will be eligible if used to treat medical condition or at-risk for illness diagnosed by a physician.

**Missed-appointment fees** – These fees are not directly for medical care or supplies, and therefore should not be treated as reimbursable FSA expenses.

**Motion sickness** – Dramamine, Sea-band wristband, Bonine (not included in eligible product list)

**Mouth guards** – Dantek, Night Guard

**Nasal care supplies** – Includes decongestant inhalers, spray or drops, and nasal strips to improve congestion

**Nasal moisturizers & washes** – Neilmed Neti Pot & solutions, Ocean Saline Spray, Simply Saline

**Nasal strips & snore relief** – Breathe Right to treat sleep apena or improper breathing diagnosed by physician

**Naturopathy** – Non-traditional healing treatments to treat a medical condition. Naturopathy expenses are
not reimbursable unless used to treat medical condition or at-risk for illness diagnosed by physician.

**Nicotine patches and gum** – Even if prescribed, over-the-counter drugs to help stop smoking are not deductible under Section 213. They may be reimbursable, however. *Also see Over-the-counter and Smoking cessation program.*

**Non-prescription drugs and medicines** – *See Over-the-counter.*

**Nursing home** – The cost of medical care in a nursing home or home for the aged for an employee, or for an employee’s spouse or dependent, is reimbursable. This includes the cost of meals and lodging in the home if the main reason for being there is to get medical care.

**Nursing services** – Wages and other amounts paid for nursing services are reimbursable. Services need not be performed by a nurse as long as the services are of a kind generally performed by a nurse. This includes services connected with caring for the patient’s condition, such as giving medication or changing dressings, as well as bathing and grooming the patient. Only the amount spent for nursing services is reimbursable. If the attendant also provides personal and household services, these amounts must be divided between the time spent performing household and personal services and the time spent on nursing services.

- **Meals** – Amounts paid for an attendant’s meals are also reimbursable. This cost may be calculated by dividing a household’s total food expenses by the number of household members to find the cost of the attendant’s food, then apportioning that cost in the same manner used for apportioning an attendant’s wages between nursing services and all other services (see above).
- **Upkeep** – Additional amounts paid for household upkeep because of an attendant are also reimbursable. This includes extra rent or utilities paid because of having to move to a larger apartment to provide space for an attendant.
- **Infant care** – Nursing or babysitting services for a normal, healthy infant are not reimbursable.
- **Social Security, unemployment (FUTA) and Medicare taxes paid for a nurse, attendant or other person who provides medical care are reimbursable.**

**Nutritional foods** – Ensure, Boost; to treat medical condition diagnosed by physician and not for general health

**Nutritional supplements** – The cost of nutritional supplements, vitamins, herbal supplements, “natural medicines”, etc. are not reimbursable, unless prescribed by a physician and are medically ordered to treat a specific medical condition. *See Special foods.*

**Obesity** – Uncompensated amounts paid by individuals for participation in a weight-loss program as treatment for a specific disease or diseases diagnosed by a physician are eligible. The costs of purchasing diet food items are not eligible.

**Operations** – Medical expense amount you pay for legal operations that are not for unnecessary cosmetic surgery.

**Optometrist** – *See Vision care.*

**Oral remedies or treatments** – Saliva substitutes, mouth sore treatments, dental repair, Salivart, Anbesol, Orajel, Bentemp. Only dry mouth remedies that are saliva substitutes are covered (gels, sprays, etc. not mouthwash, rinses, toothpaste (not included in eligible product list)

**Orthodontia** – May reimburse expenses or reimburse advance payments for orthodontia services without violating the no-deferred-compensation rule, so long as the covered individual has actually made the advance payments in order to receive the services. Services for orthodontic care are generally reimbursable, except care for cosmetic purposes. *See Cosmetic surgery.*

**Orthopedic shoes** – *See Medical aids.*

**Organ donor** – *See Transplants.*
**Osteopath** – Osteopathic expenses are reimbursable.

**Over-the-counter** – Over-the-counter drugs (that is, drugs available without a prescription) are reimbursable when prescribed by a physician. However, to be reimbursed over-the-counter drugs must be legally procured; generally accepted as falling within the category of medicine and drugs; used to **diagnose, cure, mitigate, treat or prevent a disease or disorder** of a structure or function of the body; and not used for general good health. Reimbursable over-the-counter drugs include antacids, allergy medicines, pain relievers and cold medicines. Dietary supplements, such as vitamins, cosmetics and other products used to maintain **general good health** are not reimbursable. The CARES Act that was signed into law on March 27, 2020, states purchases made or reimbursements of expenses incurred after December 31, 2019 will not require a prescription from a physician.

**Oxygen** – Amounts paid for oxygen or oxygen equipment to relieve breathing problems caused by a medical condition are reimbursable.

**Pain reliever** – The cost of purchasing a pain reliever, with a prescription, is reimbursable when purchased to treat or alleviate personal injury or sickness. Tylenol, Advil, Midol, Bayer not included in eligible product list.

**Patterning exercises** – See **Therapy**.

**Personal trainer** – Only if prescribed by a physician for a medical condition.

**Personal use items** – Items that are ordinarily used for personal, living and family purposes are not reimbursable unless they are used primarily to prevent or alleviate a physical or mental defect or illness. For example, the cost of a wig purchased at the advice of a physician for the mental health of a patient who has lost all of his or her hair from disease is reimbursable.

If an item purchased in a special form primarily to alleviate a physical defect is one that in normal form is ordinarily used for personal, living and family purposes, the cost of the special form in excess of the cost of the normal form is reimbursable. Also see **Braille books and magazines**.

**Phone equipment** – Telephone equipment designed for a hearing-impaired person are reimbursable, as are the cost of repairs.

**Physical exams** – Physical exams are generally reimbursable, except for employment-related physicals. See **Employment-related expenses**.

**Pinworm treatment** – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

**Pre-existing conditions** – Medical expenses not covered because of the plan’s pre-existing condition limitation are reimbursable.

**Pregnancy test** – The cost of an over-the-counter pregnancy test is reimbursable. A pregnancy test performed by a physician is reimbursable.

**Prenatal vitamins** – Stuart Prenatal, Nature’s Bounty Prenatal Vitamins

**Prescription drugs** – See **Medicines**.

**Private hospital room** – The extra cost of a private hospital room is reimbursable.

**PRK (photorefractive keratectomy)** – See **Radial keratotomy**.

**Probiotics and prebiotics** – Culturelle, Floraston to treat digestive condition and recommended by physician & not general digestive health

**Prosthesis** – See **Artificial limb**.
**Psychiatric care** – Expenses for psychiatric care are reimbursable. These expenses include the cost of supporting a mentally ill dependent at a specially equipped medical center where the dependent receives medical care. Also see Psychoanalysis and Transportation.

**Psychoanalysis** – Expenses for psychoanalysis are reimbursable.

**Psychologist** – Expenses for psychological care are reimbursable.

**Radial keratotomy** – Radial keratotomy (RK) is a reimbursable expense. Also see LASIK.

**Reading glasses and maintenance accessories** – Reading glasses are a reimbursable expense. Chains, etc., are not covered.

**Reasonable and customary charges amounts in excess of** – Medical expenses in excess of a Medical Plan’s reasonable and customary charges are reimbursable.

**Resort** – See Spa or resort.

**Retin-A** – Reimbursable when prescribed by a physician to treat a specific medical condition (such as acne), but not for cosmetic purposes (such as wrinkles).

**Rogaine** – Reimbursable when prescribed by a physician for a specific medical condition (such as hypertension), but not for cosmetic purposes (that is, to stimulate hair growth).

**Rubbing alcohol** – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011

**Saline nose drops** – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011

**Schools, special** – Expenses paid to a special school for a mentally impaired or physically disabled person are reimbursable if the main reason for using the school is its resources for treating the disability. This includes the cost of a school that:

- teaches Braille to a visually impaired child;
- teaches lip-reading to a hearing-impaired child; or
- provides remedial language training to correct a condition caused by a birth defect.

The cost of meals, lodging and ordinary education supplied by a special school is reimbursable only if the main reason for using the school is its resources for treating the mental or physical disability. The cost of sending a non-disabled “problem child” to a special school for benefits the child may get from the course of study and disciplinary methods is not reimbursable.

**Scientology “audits”** – Amounts paid to the Church of Scientology for “audits” do not qualify as expenses for medical care.

**Service animals** – Yes, if animal is primarily for medical care to alleviate a mental defect or illness and would not have been paid but for the defect or illness.

**Sexual counseling** – Expenses for counseling regarding sexual inadequacy or incompatibility are reimbursable if the counseling is provided to a husband and/or wife by a psychiatrist.

**Shampoo, medicated** – Maybe when used to treat specific medical condition; letter of medical necessity from physician needed

**Sinus medications** – Sinus medications, allergy and homeopathic nasal spray; medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

**Skin care-therapeutic hand & body** – Eucerin, Acquaphont, Amlactin to treat or remedy a skin condition diagnosed by a physician
Skin treatments – Psoriasis, MG217, Demarest Eczema (not included in eligible product list). Medical expense as long as intended purpose is to treat skin conditions like eczema, psoriasis, rosacea, etc. (as opposed to mere prevention)

Sleep aids & sedatives – Unisom, Nytol, Sominex (not included in eligible product list)

Smoking deterrents – Nicoderm, Nicorette (not included in eligible product list)

Stomach remedies – Mylanta, Maalox, Tums (not included in eligible product list)

Smoking cessation program – The cost of a stop-smoking program is reimbursable. In June 1999 the IRS reversed its position on this issue based on scientific evidence proving the addictive nature of tobacco. Stop-smoking drugs prescribed by a physician are also reimbursable. The cost of nonprescription drugs such as nicotine patches or gum should be reimbursable when purchased to quit smoking.

Spa or resort – Although a visit to a spa or resort may be prescribed by a physician for medical treatment, only the costs of the medical services provided are reimbursable, not the cost of transportation. See Transportation and Trips.

Special education – Medical expense fees that you pay on a doctor’s recommendation for a child’s tutoring by a teacher who is specially trained and qualified to work with children who have learning disabilities caused by mental or physical impairments, including nervous system disorders. You can include as a medical expenses (tuition, meals and lodging) of attending a school that furnished special education to help a child to overcome a learning disability. A doctor must recommend that the child attend the school. Overcoming the learning disabilities must be a principle reason for attending the school and any ordinary education received must be incidental to the special education provided. Special education includes: teaching Braille to a visually impaired person, teaching lip reading to a hearing-impaired person or giving remedial language training to correct a condition caused by a birth defect. You cannot include in medical expenses the cost of sending a problem child to a school where the course of study and the disciplinary methods have a beneficial effect on the child’s attitude if the availability of medical care in the school is not a principle reason for sending the student there.

Special foods – The cost of special foods and/or beverages—even if prescribed- that substitute for other foods or beverages that a person would normally consume and that satisfy nutritional requirements (such as the consumption of bananas for potassium, for example) are not deductible. However, prescribed special foods or beverages are reimbursable if they are consumed primarily to alleviate or treat an illness or disease, that are substantiated by a physician and they are not part of normal nutritional fees. Special foods purchased as part of a weight loss program are not reimbursable expenses because, according to the IRS, reduced-calorie foods are substitutes for the food individuals would normally eat. Special foods and beverages are reimbursable only to the extent that their cost is greater than the cost of the commonly available version of the same product. In December 2001 letter ruling, the IRS set four standards for determining whether cayenne pepper qualifies under Code Section 213. There may be circumstances, however, when special foods do get favorable tax treatment. The IRS allows the cost of special food to be treated for tax purposes as medical care.

To qualify, the special food must:
- alleviate or treat an illness;
- not be part of the normal nutritional needs of the individual; and
- be substantiated by a physician that is needed as part of treatment.

Spouse medical expenses – These may be reimbursable if the spouse does not file a separate tax return.

Sterilization – The cost of a legal sterilization (a legally performed operation to make a person unable to have children) is reimbursable.
Stomach care – Includes acid reducers and antacid gum, liquid and tablets; Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Sublimated sulfur powder – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Substance abuse – See Alcoholism and drug abuse.

Stop-Smoking programs – Medical expenses amounts you pay for a program to stop smoking; however, you cannot include in medical expenses amounts you pay for drugs that do not require a prescription, such as nicotine gum or patches, that are designed to help stop smoking.

Sunburn relief, sun protection and sunscreens – Sunscreen and sunburn relief are over-the-counter products that prevent disease (such as skin cancer) or alleviate injuries (such as sunburns) and therefore should be reimbursable FSA expenses; Coppertone, Banana Boat SPF 15+ and UVA/UVB protection; protection against skin cancer and premature skin aging.

Sunglasses – Prescription sunglasses are reimbursable. Non-prescription sunglasses may be reimbursable if they meet the Section 213 definition of medical care, for example, if an optometrist recommends them for a patient with contact lenses that correct a retinal condition causing sensitivity to light.

Sun protection (SPF 15 & above and “Broad Spectrum”) – Primary use must be for protection against skin cancer and premature skin aging with indication of UVA and UVB protection (Broad Spectrum) and 15 and above (15+).

Substance abuse – See Alcoholism and drug abuse.

Supplemental insurance policies – A health FSA cannot reimburse participants for premiums paid for supplemental insurance policies, such as policies covering cancer or other specific diseases, hospital confinement and intensive care; however, premiums for these policies can be paid by premium conversion under a cafeteria plan.

Swimming lessons – See Dancing lessons, swimming lessons, etc.

Taxes – Sales and service taxes imposed on qualified medical care or products are reimbursable.

Teeth guards – These devices, prescribed to treat the grinding of teeth while sleeping, are reimbursable. Guards designed for sports are not reimbursable.

Teeth whitening – These expenses are cosmetic and are not reimbursable.

Telephone – The costs of purchasing and repairing special telephone equipment that lets a hearing-impaired person communicate over a regular telephone are reimbursable.

Television – The cost of equipment that displays the audio part of TV programs as subtitles for a hearing-impaired person is reimbursable. This may include an adapter that attaches to a regular TV or the cost of a specially equipped TV in excess of the cost of the same model regular TV set.

TENS – Homedics Rapid+Relief, Icy Hot Smart Relief, Zewa Spa Buddy

Tests – Diagnostic or screening tests, such as those that detect or evaluate the risk of heart disease, stroke, diabetes, osteoporosis, cancer, etc. – qualify as medical care under Section 213 if there is a direct relationship between the test and a medical diagnosis.

Therapeutic shampoo & scalp treatments (medicated) – Nizoral, Neutrogena T-Gel to treat skin/scalp condition for short duration diagnosed by physician

Therapy – Amounts paid for therapy received as medical treatment are reimbursable. Payments made to an individual for special exercises administered to a mentally retarded child are also reimbursable. These
so-called “patterning” exercises consist mainly of coordinated physical manipulation of the child’s arms and legs to imitate crawling and other normal movements. Also see Fitness programs.

Toiletries – Toiletries are not reimbursable in a Health FSA.

Transplants – Payments for surgical, hospital, laboratory and transportation expenses for a donor or a possible donor of a kidney or other organ are reimbursable.

Transportation – Amounts paid for transportation primarily for, and essential to, medical care are reimbursable (except as provided below), these include:
- bus, taxi, train or plane fare, or ambulance service;
- actual car expenses, such as gas and oil (but not expenses for general repair, maintenance, depreciation and insurance);
- parking fees and tolls;
- transportation expenses of a parent who must accompany a child who needs medical care;
- transportation expenses of a nurse or other person who can give injections, medications or other treatment required by a patient who is traveling to get medical care and is unable to travel alone;
- transportation expenses for regular visits to see a mentally ill dependent if these visits are recommended as a part of treatment; and
- transportation and registration fees (but not meals or lodging expenses) incurred to attend a medical conference on a chronic disease of the employee or a dependent.

Instead of actual expenses, it is acceptable to use a flat rate of $0.23 per mile for each mile a car is used for medical purposes in 2012. The cost of tolls and parking may be added to this amount. Reimbursable expenses do not include:
- transportation expenses to and from work, even if a medical condition requires an unusual means of transportation; or
- transportation expenses incurred if, for non-medical reasons, an employee chooses to travel to another city, such as a resort, for an operation or other medical care prescribed by a doctor.

Trips – Amounts paid for transportation to another city if the trip is primarily for and essential to receiving medical services are reimbursable (also see Lodging and meals). A trip or vacation taken for a change in environment, improvement of morale or general improvement of health, is not reimbursable, even if it is taken at the advice of a doctor. See Spa or resort. The cost of commuting to a job not explicitly prescribed as therapy for a medical condition also is not reimbursable.

Tuition – Charges for medical care included in the tuition of a college or private school are reimbursable if the charges are separately stated in the tuition bill. Also see Learning disability and Schools, special.

Tutors’ fees – See Learning disability.

Umbilical cord blood banking – Yes, if there is an existing or imminently probable disease, physical or mental defect or illness (for example, stem cells).

Unmedicated nasal sprays, drops & inhalers – Ocean Nasal Spray (not included in eligible product list)

Unmedicated vapor products – Sudacare, un-medicated Vicks Vapor Rub (not included in eligible product list). Includes asthma medications and delivery devices like inhalers and nebulizers, vaporizers and humidifiers.

Unscheduled office visits – Physicians’ offices may charge a fee for coming without an appointment. Fees charged for an unscheduled visit can be considered a qualified medical expense that can be reimbursed through FSA funds, if the participant received qualified services as defined by Section 213(d) during that visit.
Upset stomach medications – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Vacation – See Trips.

Vaccinations – Flu Shots, Pneumonia Vaccinations

Vaccines – Expenses for vaccines are reimbursable.

Vapor patch cough suppressant – Medical expenses paid per Patient Protection and Affordable Care Act (PPACA) 1.1.2011.

Vaporizers & humidifiers and Accessories – Vicks, Sunbeam, Kaz if used to treat illness, not covered for normal household use

Vasectomy – Expenses for vasectomies are reimbursable.

Viagra – If prescribed to treat impotence as a specific medical condition, the cost of Viagra is reimbursable.

Vision care – Optometric services and medical expenses for eyeglasses and contact lenses needed for medical reasons are reimbursable. Eye exams and expenses for contact lens solutions are also reimbursable. However, premiums for contact lens replacement insurance are not reimbursable. Also see Radial keratotomy.

Vitamins – Only expenses for vitamins prescribed by a physician that are prescription strength to treat a specific medical condition are reimbursable. Dietary supplements, such as vitamins, cosmetics and other products used to maintain general good health are not reimbursable.

Wage continuation policies – Premiums paid under wage continuation policies are not reimbursable because they could provide benefits that would be received in a subsequent plan year, resulting in prohibited deferred compensation.

Wart removal medication – Wart removal medication is reimbursable.

Wart removers – Cryo Products – Compound W Freeze Off, Dr. Scholl’s Freeze Away, Wartner

Weight control supplements – To treat obesity diagnosed by a physician.

Weight loss program – The cost of a weight loss program for general health is not reimbursable even if a doctor prescribes the program. However, the cost of a weight loss program may be reimbursable in two (2) instances. First, if attendance at a weight loss program is prescribed by a physician to treat a specific illness (e.g., heart disease), the expense is reimbursable. The physician should substantiate the necessity of this treatment. Second, obesity is now medically recognized by the IRS as a disease in its own right, and weight loss programs to treat obesity are reimbursable expenses. Apparently, weight loss programs to treat obesity do not have to be prescribed by a physician, but obesity must be diagnosed. Also see Special foods. A medical expense for weight loss can be reimbursed if the treatment is for a specific disease diagnosed by a physician. Exercise equipment and exercise programs are covered if prescribed by a physician. Alli, Slim Fast to treat obesity diagnosed by a physician.

Well baby care – See Nursing services.

Wigs – If prescribed for the mental health of a patient who has lost all of his/her hair from disease or treatment.

Wheelchair – Amounts paid for an autoette or a wheelchair used mainly for the relief of sickness or disability, and not just to provide transportation to and from work, are reimbursable. The cost of operating and maintaining the autoette or wheelchair is also reimbursable.
Whole Life insurance premiums – Whole Life insurance premiums are not reimbursable in a Health FSA; not allowed in premium conversion because they could provide benefits that would be received in a subsequent plan year, resulting in prohibited deferred compensation.

Wigs – See Personal use items.

X-ray fees – Amounts paid for X-rays taken for medical reasons are reimbursable.

Definitions

Dependent

A Participant’s Spouse or an individual who is a dependent within the meaning of Section 152(a) of the Internal Revenue Code of a Participant or a former Participant in the Plan.

1. a child (including adopted children and eligible foster children) or a descendant of a child up to the attained age of twenty-seven (27);
2. a brother, sister, stepbrother, or stepsister;
3. the father or mother, or an ancestor of either;
4. a stepfather or stepmother;
5. a son or daughter of a brother or sister of the plan participant;
6. a brother or sister of the father or mother of the plan participant;
7. a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law; or
8. an individual, who is not the plan participant’s spouse, who lives with the plan participant and is a member of the plan participant’s household.

A relative described above is a qualifying relative only if he or she receives more than one-half of his or her support from the plan participant. Special rules apply in cases of multiple support agreements, in which no one person contributes over one-half of the individual’s support. The individual also must have gross income less that the exemption amount (see current IRS Form 1040), not including certain income earned by disabled individuals.

A Dependent for whom expenses can be reimbursed from the Dependent Care Account must meet the following criteria:

1. Can be claimed as a dependent for Federal income tax purposes; and
2. Is under the age of thirteen (13); or
3. If over the age of thirteen (13), requires full time care because of physical or mental incapacity; or
4. Is the spouse of the employee and is physically or mentally incapable of caring for himself or herself.

If the covered participant is divorced, the covered participant can generally have your child’s dependent care expenses reimbursed if you are the custodial parent, i.e., if you have custody of the child for a longer period of time during the Plan Year than the other parent. However, the following exceptions would override the custodial parent rule and permit you, as a non-custodial parent, to have your child’s dependent care expenses eligible for the reimbursement account:

1. The custodial parent formally releases claim to the Federal income tax dependent exemption for the tax year;
2. You provide over half of the support of the child under a multiple support agreement; or
3. You are entitled to the dependent exemption for Federal income tax as a result of an agreement executed prior to 1985.

Payments made directly to a child or any other person that you can claim as a dependent cannot be reimbursed by this Plan.

**Employee**

An individual employed by the Plan Sponsor who regularly works at least twenty (20) hours per week, and at least five (5) months per year, except for:

1. Employees covered by a collective bargaining agreement;
2. Employees who are non-resident aliens who receive no earned income from the Employer which constitutes income from sources within the United States;
3. Employees who are self-employed individuals as defined in Section 401(e) of the Internal Revenue Code (including sole proprietors and partners in a partnership); and
4. Employees who own (or are considered to own within the meaning of Section 318 of the Internal Revenue Code) more than two (2) percent of the outstanding stock of an S corporation or stock possessing more than two (2) percent of the total combined voting power of all stock of such corporation.

**Participant**

Any Employee who has met the eligibility requirements of the Plan and has elected to participate in the Plan by providing the Plan Sponsor with an executed Benefits Enrollment Form.

**Plan Year**

The twelve (12) consecutive month period beginning the first (1st) day of the plan year.

**Salary Reduction Agreement**

The agreement by an Employee authorizing the Plan Sponsor to reduce the Employee’s compensation while a Participant during the Plan Year for purposes of making contributions toward benefits under the Plan.

**Spouse**

An individual who is legally married to a Participant but shall not include an individual separated from a Participant under a decree of legal separation.

**Qualifying Event**

An event as prescribed by IRS Rule 1.125-4.

1. With regards to the election to participate in the Plan and election for benefits other than Accident, Health and Group Term Life, Qualifying Event shall include a change in status such as the marriage or divorce of the Participant; the adoption, placement for adoption, birth or death of a child or other Dependent of the Participant or the Participant’s Spouse; the emancipation or coming of age of a child of the Participant so that the child is no longer eligible as a Dependent under change in status in the opinion of the Plan Sponsor.

2. With regards to elections for accident, Health or Group Term Life benefits, Qualifying Event shall
include events that change an eligible Employee's legal marital status, number of dependents, the eligible Employee's, Spouse's or dependent's employment status, work schedule, residence or work site, an event that causes an eligible Employee's Dependent to satisfy or cease to satisfy the requirements for coverage, and such other events as provided in code or regulation.

Capital Expenses

Medical expenses incurred by employees for special equipment installed in the home or for improvements are reimbursable under an FSA account (subject to the discussion below) if their main purpose is medical care. Under Internal Revenue Code Section 213, the cost of permanent improvements that increase the value of the property may be partly deducted as a medical expense. The cost of the improvement is reduced by the increase in the value of the property; the difference is a deductible medical expense. If the value of the property is not increased by the improvement, the entire cost is deductible as a medical expense.

Improvements made to accommodate a residence to a person's disability do not usually increase the value of the residence, and the full cost is usually reimbursable. These improvements include, but are not limited to:

- constructing entrance or exit ramps;
- widening doorways at entrances or exits;
- widening or otherwise modifying hallways and interior doorways;
- installing railing, support bars or other modifications to bathrooms;
- lowering or making other modifications to kitchen cabinets and equipment;
- moving or otherwise modifying electrical outlets and fixtures;
- installing porch lifts and other forms of lifts (but generally not elevators);
- modifying fire alarms, smoke detectors and other warning systems;
- modifying stairways;
- adding handrails or grab bars;
- modifying hardware on doors;
- modifying areas in front entrance and exit doorways; and
- re-grading the ground to provide access to the residence.

Only reasonable costs to accommodate a personal residence to a disabled condition are considered medical care. Additional costs for personal motives, such as for architectural or aesthetic reasons, are not reimbursable.

Operation and Maintenance

If a capital expense qualifies as a reimbursable medical expense, then expenses related to operation and maintenance also qualify as medical expenses, as long as the medical reason for the capital expense still exists. This is so even if none or part of the original capital expense qualified as a medical care expense.

Improvements to Property Rented by a Person with Disabilities

Amounts paid by a person with disabilities to buy and install special plumbing fixtures, mainly for medical reasons, in a rented house are reimbursable medical expenses. For example, Don has arthritis and a heart condition. He cannot climb stairs or get into a bathtub. On his doctor's advice, he installs a bathroom with a shower stall on the first floor of his two-story rented house. Don's landlord did not pay any of the cost of buying and installing the special plumbing and did not lower the rent. Don can deduct the entire amount he paid.

It is important that you budget carefully when taking advantage of the Medical Expense Reimbursement Account. The same tax law that permits this benefit also specifies that any money that is left in your account...
at the end of the plan year must be forfeited. Your account balance cannot be transferred to your Child Care Reimbursement Account or carried forward to the next year.

All employee and dependent coverage will terminate on the earliest of the end of the month your employment terminates or the end of the month in which you cease to be an active, full-time Employee.

If your employment terminates or you lose coverage before the end of the plan year, you have ninety (90) days from the end of the plan year to claim medical expenses incurred prior to your date of termination. If your coverage is still effective on the last day of the plan year, you have ninety (90) days from the end of the plan year to claim medical expenses incurred during the plan year.

Even if you should over budget and have some money remaining unused in your account, you may still benefit due to the amount of your tax savings.

Money from your Unreimbursed Healthcare Spending Account will pay your medical expenses with before tax dollars. Any expenses paid from this account may not be claimed again as a deduction on your income tax return.

Capital Expenses Worksheet
The following worksheet may be used to figure the amount of a reimbursable capital expense.

1. Enter the cost improvements. $_______
2. Enter the value of the home immediately after improvements $_______
3. Enter the value of your home immediately before the improvements $_______
4. Subtract line 3 from line 2. This is the increase in the value of your home due to improvements $_______
   (If line 4 is more than or equal to line 1, you have no medical expenses due to the home improvements; stop here)
   (If line 4 is less than line 1, go to line 5)
5. Subtract line 4 from line 1. These are your medical expenses due to home improvements $_______
## Attachment 2

**FSA Schedule of Fees for Plan Administrator Services**

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
<th>Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setup Fee</td>
<td>$50 /Group</td>
<td>One time&lt;sup&gt;(1)&lt;/sup&gt;</td>
</tr>
</tbody>
</table>
| Monthly Service Fee<sup>(2)</sup> | $3.70 /Participant Debit  
$3.70 /Participant Paper | Monthly                     |
| Special Reports<sup>(3)</sup> | As agreed upon                  | 30 days following receipt of report |

<sup>(1)</sup> One time set up fee for each group that enrolls in the Flexible Spending Arrangement.

<sup>(2)</sup> Monthly Service Fee includes:
   a) processing contribution;
   b) processing claims (review and verification);
   c) paying claims (direct mail to employee);
   d) paying dependent premium (if applicable);
   e) employee fund balance statement with each reimbursement; and
   f) statement of fund balances and projected year-end balance at close of Plan Year fourth quarter.

<sup>(3)</sup> Normal Reports to the Plan Sponsor, at no additional cost are:
   a) initial enrollment verification;
   b) quarterly fund balance; and
   c) projected year-end fund balance at the close of the Plan Year fourth quarter.
Attachment 4
Flexible Spending Arrangement – Carry-Over Service Addendum

The City of Rockport has authorized the Flexible Spending Arrangement ("FSA") – Carry Over Addendum. The operation of the FSA – Carry-Over Addendum will continue on the same terms and conditions as the HRA with the following employer decisions regarding the FSA account.

FSA participants may carryover a designated balance ("designated carryover") to the next Plan Year of $500.00 left over in the unreimbursed health FSAs only

(Unreimbursed Healthcare Carryover not in excess of $500)

at year’s end on qualified health expenses, pursuant to IRS Notice 2013-71. Expenses for health FSA qualified benefits incurred during the current plan year may be paid or reimbursed from benefits or contributions remaining unused at the end of the immediately preceding plan year, not to exceed the designated carryover. Upon exhaustion of that benefit, monies can be accessed from current year contributions. The plan cannot permit cash-out or conversion of unused benefits or contributions, to any other taxable or nontaxable benefit. If the employee at any time becomes covered under a Qualified High Deductible Health Plan ("HDHP"), as prescribed by Section 223 of the Internal Revenue Code) with an accompanying health savings account ("HSA") then the FSA will automatically convert from a general purpose FSA to a post-deductible FSA for any amounts incurred when the HDHP is in effect.

This means that expenses for non-preventive medical costs will not be paid until the deductible for the HDHP has been met, and then only to the extent that those costs exceed the deductible.

1. Responsibility of the $3.70 administration fee is as follows (choose one):
   - [ ] Employee is responsible for the entire administration fee.
   - [x] Employer will be responsible for the entire administration fee.

2. Employer contribution is as follows (choose one):
   - [ ] Employer will not make contribution to the FSA.
   - [ ] Employer will make monthly contribution to the FSA in the amount of $______.

   Monthly contributions to the FSA shall be made in an amount authorized, paid and deposited by Employer.

ADOPTED:

By

______________________________

(Signature)

Name

______________________________

Title

______________________________

Address

______________________________
Attachment 5
Flexible Spending Arrangement Forms
Section 125
Medical Necessity Availability Form

Under the IRS rules, some healthcare services and products are only eligible for reimbursement through a Flexible Spending Arrangement (FSA), Health Reimbursement Arrangement (HRA) or Health Savings Account (HSA) when a physician or healthcare provider certifies they are medically necessary. Please have your provider complete the attached form.

<table>
<thead>
<tr>
<th>Date</th>
<th>Employee Name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Social Security #</th>
<th>Subscribers Policy Holder's Name</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Provider Address</th>
<th>Provider Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diagnosis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Start Date of Treatment</th>
<th>End Date of Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Recommended Medical Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Explanation: How the Medical Treatment Alleviates the Diagnosis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

---

Provider Signature

Date

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# Section 125
## Employee Enrollment Form

<table>
<thead>
<tr>
<th>Employer Name</th>
<th>Employer Group #</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Social Security #</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee Preferred Contact Phone #</th>
<th>Employee E-mail</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Street Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th>□ Check here if new</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mailing Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th>□ Check here if new</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date of Birth</th>
<th>□ Male</th>
<th>□ Female</th>
<th>□ Single</th>
<th>□ Married</th>
<th>□ Widowed</th>
<th>□ Divorced</th>
<th>Date Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**I request that my salary be reduced as follows:**

<table>
<thead>
<tr>
<th></th>
<th>Annually</th>
<th>Monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution for Medical Coverage</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Contribution for Dental Coverage</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other Contributions (specify)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Unreimbursed Healthcare Expenses</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Dependent Care Expense (DCA)</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Total Authorized Reductions</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

**AUTHORIZATION:** I certify the above information to be correct and true to the best of my knowledge and that any children listed are dependents under Section 152 of the Internal Revenue Code. I understand that any amounts remaining in my account(s) not used for expenses incurred during the plan year will be forfeited in accordance with current plan provisions and tax laws. I also understand that the Flexible Spending reduction(s) will be in effect for the plan year and cannot be revoked unless I experience a change in my family status, significant change in cost or coverage of my health plan or my spouse’s health plan or separation from service as prescribed by IRS rules. If a change in family status occurs, you have thirty-one (31) days from the occurrence to change or revoke your election. Furthermore, I hereby authorize my employer to transfer my required health benefits contribution on a monthly basis to the TML Health Benefits Pool. I agree to only submit claims which qualify as medical expenses under Section 213, Internal Revenue Code or dependent care expenses under Section 129, Internal Revenue Code.

**I ACCEPT:**

- [ ] Pre-tax Premium Only
- [ ] Unreimbursed Healthcare
- [ ] DCA
- [ ] Unreimbursed Capital Health Expense

<table>
<thead>
<tr>
<th>Employee Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- [ ] WAIVER OF PARTICIPATION: The benefits of the plan have been thoroughly explained to me and I decline to participate.

<table>
<thead>
<tr>
<th>Employee Signature</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please return this form to your employer.

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Section 125
Employee Change Form

<table>
<thead>
<tr>
<th>Employer Name</th>
<th>Employer Group #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Name</td>
<td>Social Security #</td>
</tr>
<tr>
<td>Employee Preferred Contact Phone #</td>
<td>Employee E-mail</td>
</tr>
<tr>
<td>Street Address</td>
<td>City</td>
</tr>
<tr>
<td>Mailing Address</td>
<td>City</td>
</tr>
<tr>
<td>Effective Date of Change</td>
<td>Reason for Change</td>
</tr>
</tbody>
</table>

ADD OR REMOVE FAMILY MEMBERS (COMPLETE BELOW)

<table>
<thead>
<tr>
<th>Add</th>
<th>Name (First, M.I.)</th>
<th>Relation</th>
<th>Date of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change</td>
<td>Name (First, M.I.)</td>
<td>Relation</td>
<td>Date of Birth</td>
</tr>
</tbody>
</table>

CHANGE IN COVERAGE TYPE (COMPLETE BELOW)

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Change</th>
<th>From Pledge Amount</th>
<th>From Monthly Amount</th>
<th>To Pledge Amount</th>
<th>To Monthly Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Contribution</td>
<td>Add</td>
<td>Increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remove</td>
<td>Decrease</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dental Contribution</td>
<td>Add</td>
<td>Increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remove</td>
<td>Decrease</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unreimbursed Health Care Expense</td>
<td>Add</td>
<td>Increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remove</td>
<td>Decrease</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dependent Care Expense (DCA)</td>
<td>Add</td>
<td>Increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remove</td>
<td>Decrease</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Contribution (Please specify)</td>
<td>Add</td>
<td>Increase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remove</td>
<td>Decrease</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

AUTHORIZATION: I certify the above information to be correct and true to the best of my knowledge and that any children listed are dependents under Section 152 of the Internal Revenue Code. I understand that any amounts remaining in my account(s) not used for expenses incurred during the plan year will be forfeited in accordance with current plan provisions and tax laws. I also understand that the Flexible Spending reduction(s) will be in effect for the plan year and cannot be revoked unless I experience a change in my family status, significant change in cost or coverage of my health plan or my spouse's health plan or separation from service as prescribed by IRS rules. If a change in family status occurs, you have thirty-one (31) days from the occurrence to change or revoke your election. Furthermore, I hereby authorize my employer to transfer my required health benefits contribution on a monthly basis to the TML Health Benefits Pool. I agree to only submit claims which qualify as medical expenses under Section 213, Internal Revenue Code or dependent care expenses under Section 129, Internal Revenue Code.

Employee Signature ______________________________________________________________________________________

Date _________________________________________________________________________________________________

Please return this form to your employer.

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Section 125
Unreimbursed Reimbursement Form

<table>
<thead>
<tr>
<th>Employer Name</th>
<th>Employer Group #</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Name</td>
<td>Social Security #</td>
</tr>
<tr>
<td>Street Address</td>
<td>City</td>
</tr>
<tr>
<td>Mailing Address</td>
<td>City</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description of Eligible Expense</th>
<th>Incurred Date</th>
<th>Total Amount of Bill</th>
<th>Amount paid by any Plan</th>
<th>Amount to be Reimbursed</th>
<th>Expense for: (Name)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$</td>
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<td>$</td>
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<td></td>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>$</td>
<td>$</td>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

AUTHORIZATION: I certify the above information to be correct and true to the best of my knowledge and that any children listed are dependents under Section 152 of the Internal Revenue Code. I understand that any amounts remaining in my account(s) not used for expenses incurred during the plan year will be forfeited in accordance with current plan provisions and tax laws. I also understand that the Flexible Spending reduction(s) will be in effect for the plan year and cannot be revoked unless I experience a change in my family status, significant change in cost or coverage of my health plan or my spouse’s health plan or separation from service as prescribed by IRS rules. If a change in family status occurs, you have thirty-one (31) days from the occurrence to change or revoke your election. Furthermore, I hereby authorize my employer to transfer my required health benefits contribution on a monthly basis to the TML Health Benefits Pool. I agree to only submit claims which qualify as expenses under Section 213, Internal Revenue Code.

________________________________________  __________________________
Employee Signature                              Date

Please return this form to TML Health Benefits Pool.
PO Box 140167 | Austin, Texas 78714-0167 | Fax: (512) 719-6505

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Section 125
Dependent Care Reimbursement Form

<table>
<thead>
<tr>
<th>Employer Name</th>
<th>Employer Group #</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Social Security #</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Street Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th>□ Check here if new</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mailing Address</th>
<th>City</th>
<th>State</th>
<th>Zip Code</th>
<th>□ Check here if new</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Name of Individual or Organization providing Dependent Care Services

<table>
<thead>
<tr>
<th>Tax ID or SS#</th>
<th>Date Incurred</th>
<th>Amount to be Reimbursed</th>
<th>Expense for Care of: (Name)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Name

<table>
<thead>
<tr>
<th>Tax ID or SS#</th>
<th>Date Incurred</th>
<th>Amount to be Reimbursed</th>
<th>Expense for Care of: (Name)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Name

<table>
<thead>
<tr>
<th>Tax ID or SS#</th>
<th>Date Incurred</th>
<th>Amount to be Reimbursed</th>
<th>Expense for Care of: (Name)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Name

<table>
<thead>
<tr>
<th>Tax ID or SS#</th>
<th>Date Incurred</th>
<th>Amount to be Reimbursed</th>
<th>Expense for Care of: (Name)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TOTAL

<table>
<thead>
<tr>
<th>Amount</th>
<th>Expense for Care of: (Name)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td></td>
</tr>
</tbody>
</table>

Employee Signature

Date

AUTHORIZATION: I certify the above information to be correct and true to the best of my knowledge and that any children listed are dependents under Section 152 of the Internal Revenue Code. I understand that any amounts remaining in my account(s) not used for expenses incurred during the plan year will be forfeited in accordance with current plan provisions and tax laws. I also understand that the Flexible Spending reduction(s) will be in effect for the plan year and cannot be revoked unless I experience a change in my family status, significant change in cost or coverage of my health plan or my spouse's health plan or separation from service as prescribed by IRS rules. If a change in family status occurs, you have thirty-one (31) days from the occurrence to change or revoke your election. Furthermore, I hereby authorize my employer to transfer my required health benefits contribution on a monthly basis to the TML Health Benefits Pool. I certify that the expenses listed above qualify as expenses under Section 129, Internal Revenue Code.

STATEMENT OF CERTIFICATION: I certify that I have provided care for ________________'s child (children or dependent) from _______ to ___________. My charge for this service was ___________.

Name and Address of Provider

Provider’s Signature

Tax ID or SS#

Please return this form to TML Health Benefits Pool.

PO Box 140167 | Austin, Texas 78714-0167 | Fax: (512) 719-6505
Section 125
Recurring Expense Service Form

INSTRUCTIONS: This form is used to request your Dependent Care Account or Transportation Account contributions be reimbursed to you on a per pay period basis. By completing this form you will not need to provide continuing documentation. Please complete all fields and include appropriate documentation stating your dependent will be attending throughout the year or specific time frames. All information must be completed by you & your Dependent Care provider to receive reimbursement. CLAIMS WILL NOT BE PROCESSED WITHOUT YOUR SIGNATURE AND THE PROVIDER'S SIGNATURE.

A. DECLARATION OF SERVICES

I request reimbursement for the below listed timeframe for qualified

☐ Dependent Care Services or ☐ Transportation Expenses

I certify that the services will be provided between the following dates:

Start Date of Services (MM/DD/YY) to End Date of Services (MM/DD/YY)

I have included signed copies of the independent provider's charges, which will include the total amount of

$ for the dates provided above.

Total Amount of Services

NOTE: If you have any changes during the dates referenced above, please notify TML Health Benefits Pool at (800) 282-5385 or fax (512) 719-6505.

B. PARTICIPANT INFORMATION

Name of Participant Social Security #

Address: Street City State Zip

Preferred Contact Phone # E-Mail

Name of Dependent

C. CARE PROVIDER INFORMATION

Name of Dependent Care/Transportation Expense Provider

Address: Street City State Zip

Federal Tax ID

D. SIGNATURES

Authorized Signature of Provider Date

Participant Signature Date

PLEASE NOTE: Your total reimbursement amount will be calculated per the amount you have elected for the year based on the amount of payrolls that occur throughout the plan year. For questions regarding your maximum contribution amount, please contact TML Health Benefits Pool at (800) 282-5385 or fax (512) 719-6505.

CONFIDENTIALITY NOTICE: The information contained in this transmission, including any attachments, is for the sole use of the intended recipient(s) and may contain confidential and privileged information. Any unauthorized review, use, disclosure or distribution is prohibited by Federal law. If you are not the intended recipient of this message, you are notified that you may not disclose, print, copy or disseminate this information. If you have received this transmission in error, please reply to the sender and delete or destroy the message. Unauthorized interception of this transmission may be a violation of criminal law.
Section 125
Account Claim Form

INSTRUCTIONS: Please complete this form for the submission of any EOBs, prescription orders or receipts. Number your EOBs and receipts to correspond with the "Item #" column in sections B, C and/or D. Fax form to (512) 719-6505 or mail form to TML Health Benefits Pool. This form must be submitted with each EOB or receipt; claims will not be processed unless proper documentation is supplied. Please Note: Section B applies only to plans in which Flexible Spending Funds are available after meeting a Flexible Spending deductible. For more information about your plan, consult your enrollment materials, your HR Department or TML Health Benefits Pool.

A. ACCOUNT HOLDER INFORMATION*

<table>
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<tr>
<th>NAME</th>
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<th>Middle Initial</th>
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<tr>
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<td>Street</td>
<td>City</td>
<td>State</td>
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<tr>
<td>Social Security #</td>
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<td>Employer</td>
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<td>Preferred Contact Phone #</td>
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B. EOBs For Proof of Deductible (Incessant only for plans in which Flexible Spending Funds are available after meeting a Flexible Spending Deductible)

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C. RECEIPTS FOR REIMBURSEMENT

Please complete this section for any requests for manual reimbursements from your Flexible Spending funds. You must provide a corresponding receipt in order to be reimbursed. NOTE: You must have met your Flexible Spending Deductible (see Section B above) before you are eligible for reimbursement. Consult your HR Department or TML Health Benefits Pool for your plan info.

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<th>Item #</th>
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D. RECEIPTS FOR PHARMACY PURCHASES

Please complete this section to accompany pharmacy receipts. You must provide receipts for all pharmacy purchases.

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<th>Item #</th>
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E. AGREEMENT AND SIGNATURE*

I certify that these eligible expenses have been incurred by me or my eligible dependent and are not for cosmetic purposes but for the treatment of an illness, injury, trauma, or medical condition. I understand that expenses incurred means the service has been provided that gave rise to the expense, regardless of when I am billed or charged for or pay for the service. The expenses have not been reimbursed and I will not seek reimbursement elsewhere. I understand that any amounts reimbursed may not be claimed on me or my spouse's income tax returns. I understand that I am not eligible for reimbursement before I have reached the Flexible Spending deductible set by my employer. I have received and read the printed material regarding the reimbursement accounts and under all of the provisions.

Employee Signature: __________________________
Date: __________________________

MAIL TO:
TML Health Benefits Pool
PO Box 140167
Austin, Texas 78714-0167

FAX TO:
(512) 719-6505

Please keep copies of all receipts, prescription orders and EOBs for your own records.
For questions and concerns, please call TML Health Benefits Pool at (800) 282-5385.
* These sections are required. Use only Sections B, C and D as needed.
AGENDA ITEM: 15

Deliberate and act on an Interlocal Agreement with the Alliance for Community Solutions (ACS) related to expanded participation in ACS services and authorizing the City Manager to negotiate and execute all necessary documents.

SUBMITTED BY: City Manager Kevin Carruth

APPROVED FOR AGENDA: PKC

BACKGROUND: The Alliance for Community Solutions (ACS) is a community-based non-profit association that uses a combination of organizational membership and individual participant models to establish the level of subscription pricing for each member agency. This unique value-cost model provides the lowest cost options for any agency to connect with groups of interest, access solutions and proven practices that are available to members and over-time expand their access to more solutions for more of their staff in increments, as needs and benefits are recognized. Furthermore, the annual subscription model is designed to cover all traditional costs associated with providing the selected technologies and proven practices for our member agencies. The City is already a member of the Coastal Bend Coordination and Alert network, which is a chapter of ACS but must execute an interlocal agreement in order to access products and services offered by ACS.

Some of the products and services provided by ACS include integrated access control to facilities and credentialing and generating identification cards. Staff had been looking at ACS for these solutions prior to Harvey and determined that they were likely to be the lowest cost provider both for acquisition cost and overall lifecycle cost. In addition, the solutions available through ACS offered numerous opportunities for integration with other systems and agencies.

Please see the accompanying document titled “An ACS Primer” and proposed interlocal for more details.

FISCAL ANALYSIS: The access control system at one of our facilities is at its end-of-life cycle and will need to be replaced. More importantly, the construction of City Hall is an opportunity for significant savings on this part of the project. Replacing the obsolete system at the same time as new building is also prudent.

RECOMMENDATION: Staff recommends that Council approve an Interlocal Agreement with the Alliance for Community Solutions (ACS) related to expanded participation in ACS services and authorizing the City Manager to negotiate and execute all necessary documents, as presented.
An ACS Primer

1. In 2006, twelve (12) Counties in Texas began a program to use federal, state and local funding to create and sustain technological solutions that support local first responders, such as law enforcement, fire service, emergency service districts, emergency management, medical and health services and others. The data center for these solutions was required to be located well outside of Texas, to ensure that any disaster response and recovery efforts in the state would not impact the data and solutions being provided. The location selected was, and remains, the Kansas City metro area, although additional redundancy (e.g. backup and recovery capabilities) has been added over the years.

2. Since inception, over $20 million has been invested by participating jurisdictions to create or purchase, enhance and sustain a unique set of patented and sole-source solutions. The most commonly used of these solutions is the Mass Communications System (powered by i-INo), which operates as a standalone solution that can send texts, email and voice calls at a combined rate of over 4 million prioritized hyper-threaded messages per hour (70,000 / minute), but also integrates with all of the other ACS applications, allowing ACS member jurisdictions to individually use other ACS tools to, over time, support planning, emergency response, disaster recovery, as well as further improve community resiliency.

3. Currently one of the more requested examples of our ACS Member designed solutions includes use of the Responder Credentialing and Identification System and the Situation-Based Responder Entry System, that together create a First Responder Entry System, that is the only solution in Texas, or the US, that can identify registered and qualified first responders in an area and grant access to any at-risk facility based on one or more threats or situations (e.g. active attack, suspicious package, fire/smoke). The credentialing database which is also provided by i-INo, as a Software-as-a-Service (SaaS) solution, is designed to operate in normal operations, as well as provide redundant access to qualified responder credentialing during major emergencies and disasters.

4. For these examples above, as well as others, over the years, the ACS program has expanded inside and outside of Texas to include many more local jurisdictions and other organizations, as allowed by the laws of each State. ACS currently provides services that benefit 3 State agencies, 387 local governments in 157 counties in Texas, as well as many more communities outside of the State.

5. Per Texas Government Code, in 2011, The Alliance for Community Solutions, Ltd. (ACS) was created as a Non-Profit Interlocal Cooperative Organization (ICO) with the mission of helping members purchase and sustain the ongoing services to improve mitigation, planning, preparedness, safety, security, response, recovery and overall resiliency of its community members. Although formed by its Member organizations (covering 5 States in 2011), ACS is incorporated in the State of Kansas with its primary offices located near the primary hosting center, in the Kansas City metro area.

6. As filed with the IRS and State of Texas, ACS is a national 501(c)(3) organized for charitable, educational, managerial, financial, cooperative purchasing, planning and technical support (Services) to reduce the burden of government in support of its exempt mission. While performing this mission, ACS members continually work to improve its procedures to eliminate common risks that limit project success.

7. As a non-profit organization, members within a given community (e.g. geophysical location or a community of interest or both), can form a local ACS Chapter to help lead ACS related initiatives within
their community. Proven practices have shown a direct relationship between major involvement in the local chapter and major success of that member and the community at large.

8. In addition to government membership, in some States, selected non-profit and for-profit organizations with a primary/published mission that supports the exempt mission of ACS or its local government members. As an example, this can include private sector organizations such as ambulance companies and hospitals, as well as non-profit groups that support disaster recovery (e.g., American Red Cross Chapters) and those non-profit groups that represent at-risk communities such as childcare centers, senior centers, and senior communities.

9. By design, ACS can operate in most of the 50 states (currently in 12 states), plus US territories in a similar capacity as a Texas ICO, but only as a 501(c)(3) non-profit. Most states have interlocal cooperation authority, shared services or other joint power provisions that allow participation in cooperative activities. Each of these states have limitations on what a cooperative, like ACS can do, however, maintaining our non-profit and charitable status is critical to the mission set by our Members.

10. For reference, under Texas Law, Local Government means a:
   a. county, municipality, school district, hospital district, emergency services district, junior college district, or other political subdivision of this state or another state;
   b. local government corporation created under the Texas Transportation Code;
   c. political subdivision corporation created under the Texas Local Government Code;
   d. local workforce development board created under Texas Government Code; or
   e. combination of two or more entities described by Paragraph (a), (b), (c), or (d).

11. In general, Texas Code does not allow commercial for-profit organizations to become members of an Interlocal Cooperation Contract, only a Local Government, as defined above, can be an ACS member. As noted above, private companies that have a primary mission that supports the ACS mission (e.g., hospitals, ambulance companies) can be granted membership, but only at the request of a local government member and documented by resolution by the private company’s board of directors.

12. Recently, at member government requests, ACS has begun accepting new members that may not be thought of as traditional governments. At first these included hospital districts and other responder type organizations, but the newest requests being received are for school districts and other at-risk facilities in the community (e.g., churches and shelters). Many of these requests are in response to the recognized and expanding threat to these organizations.

13. In Texas, the government code states that any government that purchases goods and services provided through an Interlocal Cooperative Organization, satisfies the requirement for that government to seek competitive bids for the purchase of those goods and services. Other cooperative organizations, provide services under the same government code (e.g., HGAC-Buy, Buy Board, TIPS). Like ACS, the use of these beneficial cooperative purchasing services meets the needs for competition, but unlike ACS, these groups do not provide the unique community designed and ACS member developed solutions and do not perform the supporting services that meet the mission of ACS in supporting safety, security, and emergencies for our Members.

14. ACS can provide the requested Services either using staff or by contracting services to qualified 3rd Parties. Through our cooperative purchasing role, ACS can also utilize vendors and selected solution providers to achieve its exempt mission. Active ACS members participate in the qualification and selection of all vendors that provide services to ACS members. Currently, ACS provides most charitable,
educational, managerial, financial and cooperative purchasing services through staff and volunteers, while using ACS certified 3rd parties to deliver the technical services that are provided. As ACS grows, more of these Services are likely be performed by internal staff, however, 3rd Party providers will always play an important role in the expanding Services provided by ACS.

15. As allowed by TX Government Code & IRS Code, ACS can provide Services to members related to the following categories, as related to safety, security and building community resiliency:
   a. threat detection, alerting and notification;
   b. security, police protection and detention;
   c. fire detection and protection;
   d. responder credentialing, identification and accountability;
   e. drainage, watershed and flood protection;
   f. public health and welfare projects;
   g. records management / data backup;
   h. power backup and management, low voltage devices;
   i. data / network design, managing and monitoring;
   j. requirements, planning and design projects;
   k. solution enhancement, integration and maintenance;
   l. administrative functions (e.g. data processing, purchasing, grant management);
   m. project and program management;
   n. public and governmental funds management;
   o. other functions in which the members are mutually interested.

16. Since ACS servers house some of our Members most sensitive information, as one of our primary missions, ACS focuses several ongoing efforts on ensuring data and cyber-security. Toward that goal, in 2015 ACS became the only recognized interlocal cooperative to achieve ISO 27001 accreditation for our Information Security Management System. The ISO 27001 certification provides a management framework for continuing conformance to information security requirements that protect agency and personal information, as well as the application, middleware, database and firmware source code.

17. A key part of our ISO 27001 program, our cloud-based redundant Layer 7 Firewalls, 2048 Bit Encryption, Advanced Message Queuing (AMQ) Interface Protocols, Salted and Hashed login credentials, as well as Role-Based Security are only a few examples of the mechanisms in place providing a continually updated set of hardware and software controls to thwart hackers and malware. Application and data security are particularly important since a large part of the ACS program is to continually push system enhancements that have been purchased by one Member to the rest of the Membership.

18. Since 2006, ACS software and data storage solutions, have had no known breaches in data security and have provided the ACS hosting services with less than .0001% average annual unscheduled downtime. Furthermore, the ACS core data system, powered by i-INFO, has been used in support of hundreds of disaster response and recovery efforts during this same timeframe.

19. By government code, ACS is prevented from providing any “architectural and engineering level drawings or specifications” as part of large construction projects (e.g. over $50,000). However, these terms are further defined in government law to mean that the work performed requires an advanced education, degree and understanding in physics, mathematics and/or engineering sciences to provide the service. As verified by ACS members, none of the services listed above require any of these advanced levels of education to provide said services.
20. Additionally, since ACS can only perform services for local governments (defined in Section 8), it is required that all funding for ACS be provided directly from the Interlocal member organization and not from another entity, public or private. Other than the flow of funding for the project, ACS strives to conduct business with other entities involved in the project (e.g. Architects, Engineers, Contractors) in a manner that follows familiar protocols.

21. Regarding how ACS fits in the typical construction project contracting and responsibility matrix, ACS work is essentially performed as Owner Furnished, Owner Installed (OFOI), as noted in the table below. Since ACS members have together funded, designed and developed the majority of software solutions and interfaces that have created this unique integrated capability, as each member joins ACS, each member has access to literally millions of dollars of solutions (e.g. Owner Furnished). Since ACS solutions can only be installed by ACS certified members or installers, as the managing ICO, ACS is an extension of the Interlocal Government Cooperative and therefore the work done by ACS providers is “Owner Installed”.

22. That said, the ACS team follows all construction rules and requirements as set forth by the construction manager and performs the ACS scope of work as coordinated with the construction schedule. This is a standard practice in all construction projects.

<table>
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<tr>
<th>Description</th>
<th>Acronym</th>
<th>Provided By</th>
<th>Installed By</th>
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<tbody>
<tr>
<td>Contractor Furnished, Contractor Installed</td>
<td>CFCI</td>
<td>Contractor</td>
<td>Contractor</td>
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<tr>
<td>Owner Furnished, Contractor Installed</td>
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<td>Contractor</td>
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<td>Owner Furnished, Owner Installed</td>
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23. In addition to ACS National and Chapters remaining in direct contact with the Owner “member”, for each project, ACS can designate an owner’s representative, as well as a lead solution provider or integrator to be the primary in-field Point of Contact (POC) for any designated project and/or construction effort. When possible, a local ACS Chapter POC can be introduced to new Member organizations. This is most often an active Member representative from an ACS jurisdiction in the area that can answer questions from a local perspective.

24. The ACS technical support groups have performed a myriad of projects by size and complexity, of which all have been successfully completed. From software development, to integration projects, to regional deployments and state-of-the-art installations, the current ACS teams have performed several hundred projects with scopes of work ranging from several thousand dollars to several million dollars. In fact, our primary software development team in Kansas City, as well as our primary security installation group in Texas, have each completed individual project scopes that were in excess of $3 million.

25. Another benefit of any Interlocal Program is that the work performed under this agreement does not require a performance bond. Performance bonds are typically needed because of unfamiliarity with the vendors or the specific products being provided. Because ACS offers the same integrated and proven set of tools and uses only member certified vendors to perform the work for hundreds of participating members, the risk, of a given technology or deployment not working is virtually eliminated, creating even more savings for the projects. Although a performance bond is not needed, typically the providers for ACS do maintain Errors and Omissions (E&O) Insurance, as well as General Liability Insurance.
In summary, ACS is the only non-profit cooperative purchasing and support organization with both a mission and track-record of managing the purchase of services to design, create, integrate, install and sustain unique and critical life-safety solutions that serve the shared needs of local jurisdictions, first responders and their surrounding community. These exclusive services and patented solutions, that have been mutually funded, developed, integrated and are maintained through the participation of hundreds of ACS member jurisdictions, qualify ACS as a sole-source provider under Local, State and Federal Government codes for integrated multi-agency security, notifications and responder entry/access. Although ACS is limited, by law, to the types of organizations it can serve, the design of the ACS program makes it uniquely qualified to address some of the greatest threats challenging our communities today.

We would like to acknowledge the key technologies used the ACS interoperable member solutions.
This Interlocal Agreement (“Agreement”) is entered into pursuant to the authority granted in Texas Government Code, Chapter 791 titled the Interlocal Cooperation Act (“Act”), by and between City of Rockport Texas (“Community Member or Member”), having its principle place of business at 2751 SH 35 Bypass, Rockport, TX 78382 and The Alliance for Community Solutions Ltd (“ACS”), having its principle place of business at 19953 W 162nd Street, Olathe, Kansas 66062. Community Member and ACS may be referred to individually as “Party” and jointly as “Parties”.

WHEREAS, the Community Member is a local government as defined by Section 791.003, Texas Government Code; and

WHEREAS, ACS is a nonprofit organization; as determined by the Internal Revenue Service (IRS), created for the purpose of promoting collaboration, resiliency, and the general welfare of communities and their citizens as permitted under Section 501(c)(3) of the IRS Code and to reduce the burden to government and promote such other charitable and educational endeavors as may be permitted under the same Code; and

WHEREAS, the ACS IRS-approved bylaws define “Community Members” as “governmental and quasi-governmental entities, jurisdictions or other public sector organizations as well as not-for-profit organizations that are willing to actively pursue enhancement of the overall welfare and resiliency of their communities through the use of ACS technologies and proven practices.”; and

WHEREAS, Section 791.025(b), Texas Government Code provides that “A local government, including a council of governments, may agree with another local government, including a nonprofit corporation that is created and operated to provide one or more governmental functions and services, or with the state or a state agency, including the comptroller, to purchase goods and any services reasonably required for the installation, operation, or maintenance of the goods”; and

WHEREAS, Section 791.025(c), Texas Government Code provides that “A local government that purchases goods and services under this section satisfies the requirement of the local government to seek competitive bids for the purchase of the goods and services.”, and

WHEREAS, Member now desires to document its direct subscription and participation in Services available through ACS under the authorities granted by the Act.

NOW THEREFORE, the Parties agree as follows:

I. PURPOSE

The purpose of this Agreement is to enable Member to increase its participation in the collaborative efforts of the ACS membership; including regional member group efforts (e.g. Teams, Chapters, Committees, Advisory Groups, Governing Council) to cooperatively design, plan, fund, implement, host and support technical solutions and equipment as well as supplies, and both professional and technical services, (“Services”) related to public safety or community resiliency issues that mutually benefit some or all of the ACS members; to participate in shared efforts to educate the public on public safety matters of universal concern; and, to jointly work to reduce the cost of public safety-related goods and services by sharing the cost of solution development and process optimization through local and grant funded projects, as well as leveraging the collective purchasing power of the ACS membership. This Agreement enables Member to further subscribe to the growing number of discounted Services available through ACS. These Services are only available from ACS to ACS Community Members.
II. DUTIES OF ACS

1. ACS will maintain and, on request, provide Member with an overview list of ACS Services. It should be noted that this list will continue to grow as ACS Community Members continue to recommend, help advance and approve new public-safety related technological solutions, augmenting the number of solutions and Technology Members involved in the delivery of Services and identifying new cost-effective sources for the goods and supplies necessary to support those solutions.

2. Upon request, ACS will counsel Member on currently available Services that could be used to meet one or more of Member’s public safety or community resiliency needs and if requested, ACS will assist Member in defining ACS Services to meet, one or more, of such needs.

3. To ensure the most accurate and best solution specification, it is recommended that ACS perform an on-site technical assessment of Member’s public safety plans, current solutions and services, and projects or initiatives in order to develop a detailed Scope of Work (SOW). The cost of this on-site assessment will be established and approved by Member prior to authorization, of which a portion or all of the cost may be deducted from subsequent scopes of work.

4. Upon request by Member, ACS or designated ACS member representative can, as allowed by law, act as a member, or in an advisory capacity, to any designated technology or security committee for the Member. Although unlikely, this can involve an increase to the Member’s annual subscription, based upon the requested level of participation and added out-of-pocket expenses.

5. ACS will, upon request, provide to Member the SOW, identifying any requested Services, combined with an itemized invoice of deliverables (“Invoice”). Any Member approved Invoice shall become an integral part of the Agreement.

6. ACS will provide negotiated discounts that include pre-payment or early payment to vendors and suppliers with limited risk to Community Members. ACS will perform financial administrative services on behalf of Member for all Services provided. These Advance Payment Discounts will be provided to Member based on the advance payment of project costs in accordance with the provisions below.

7. The advance payment of the ACS vendor and supplier contracts involved with a project’s implementation will result in a significant cost savings to Member versus using the pay-as-you-go approach. By default, all estimates, quotes and invoices will reflect the Advanced Payment Discounts.

8. In order to avail itself of these Advance Payment Discounts, Member will be required to pay ACS in full prior to undertaking a specific project. This payment will serve as the Notice to Proceed with the SOW established for the project. ACS will hold all designated vendor and supplier funds, assigned to each specific project, until distributed per discounted terms with each provider.

9. ACS will assess a nominal fee for managing the vendor and supplier plans, schedules, payments and designated grants that are involved with the implementation of SOW. The standard fee amount will be set by the ACS governing body and assessed / provided as part of each Invoice.

10. For each major Services project undertaken by Member, ACS will designate a Project Contact who has been authorized to coordinate with other points of contact to provide feedback to ACS decision makers throughout the project.
11. ACS is responsible for working with vendors and suppliers to resolve any reported problems. Member will work directly with ACS assigned project staff, while onsite during installation and setup. ACS will maintain a help desk number and email to report issues with performance or technical functionality, for all Services that are completed and signed-off or part of Member annual subscription.

12. In order to facilitate Member’s project and cost justification process, upon request, ACS can provide an estimate for providing the same Services under a pay-as-you go model, recognizing that pay-as-you-go, is not available as an option for many of the Services provided.

13. Member Advance Payment Discounts will also apply to the purchase of consumable supplies (e.g., badge card stock) and equipment (e.g., badge printers) necessary to support the use of Services being utilized by Member.

III. DUTIES OF MEMBER

1. Member commits to work closely with ACS to build toward a community-wide inter-agency security model, reviewing solution options and purchasing Services that are in the best interest of Member.

2. Member will review each Invoice and document its approval of the scope, cost and additional terms & conditions of undertaking Services with the issuance of a purchase order or payment to ACS.

3. For Member to take advantage of Advance Payment Discounts, the payment in full of a particular Invoice will serve as the Notice to Proceed with the work (with exception noted in Paragraph IV.8 below); enabling ACS to make all the vendor and supplier contract obligations necessary to carry out the work.

4. If Member chooses to not take Advance Payment Discounts, Member will notify ACS, in advance for each specific quote for Services that will not be pre-paid; such decision will impact the level of discounts, if any, available.

5. For each Services project or initiative undertaken by Member, Member will designate a Project Lead who has been authorized by Member to coordinate with and give ACS direction throughout the project or initiative.

6. Member designated Project Lead will notify ACS of all requested changes in the invoice or project deliverables. ACS will provide documentation of agreed upon changes and resulting cost changes. The Parties will work to reasonably accommodate requests.

7. If Member chooses to undertake Services without exercising Advance Payment Discounts, Member agrees to promptly pay all Invoices within thirty (30) calendar days of receipt. Either way, Member will provide ACS with a Point of Contact and an alternate Point of Contact (including their current email addresses) who have been designated to receive and process Member’s payment obligations.

8. In the event Member encounters inaccuracies in an Invoice, Member agrees to promptly notify ACS and then work with ACS to resolve the issue within seven (7) calendar days of the Invoice’s receipt.
9. Member agrees to accept shipments of products or delivery of services ordered from ACS in accordance with Invoice and communicate with ACS regarding receipt and condition.

10. Member is responsible for notifying ACS, in a timely manner, of any substantial problems in quality of Services provided.

11. Member warrants that all payments, or other disbursements required under this Agreement will be made from current revenues budgeted and available to Member.

IV. MUTUAL UNDERSTANDINGS

1. The intent of this Agreement is, in part, to help facilitate Member’s compliance with state bidding requirements, to identify and engage qualified vendors of certain public safety-related commodities, goods and services, to relieve the burdens of the governmental purchasing and other functions, and to realize potential economies, including discounted cost savings for Member on high-end, specialized and/or integrated solutions.

2. ACS will help Community Members maintain, improve and expand the types and availability of Services through shared education and advocacy to gain new community participation in current Services, as well as, ongoing initiatives that support goals for multi-regional response and recovery Services, that can include any recognized and supporting community inside or outside the State.

3. It is acknowledged that the primary goods and services provided through ACS represent a blend of patented, sole-source and commercially-available Services and that the commercially-available Services have been selected by ACS Members, at large, based on their proven ability to integrate with one or more of the existing patented, sole-source technologies, as well as, the demonstrated benefit for inter-agency cross-community sharing and on their overall cost-effectiveness.

4. Any technologies recommended or requested by Member, that are not already provided through ACS Services, will require participation on part of the Member to help evaluate, including any competition between vendors, to become Technology Members of ACS. Competition for new vendor solutions or services conducted by Member in support of ACS, shall comply with the State Procurement Policy.

5. Most Services will include documentation and proven practices developed in coordination with vendors and other community members of ACS and as such, Member acknowledges that the work provided to Member by ACS will benefit from lessons learned with other Members and, as such, will also be used to update the knowledge-base of ACS, to benefit future projects of the membership.

6. It is recognized that if Services requested are related to construction or renovation, then as allowed by the Act: 1) the project is either below the $50,000 limit, or 2) the ACS portion of the project does not require architectural or engineering level plans and specifications, or 3) these project plans and specifications have or will be obtained separately from this Agreement.

7. It is understood that none of the Services typically offered or provided by ACS will require either architectural or engineering level plans and specifications, as defined by Texas code. However, should Member designate and provide access to such engineering plans and specifications in advance of the quote, ACS can work with vendors for both Parties to meet those requirements. Should Member request engineering level documentation, ACS can contract to provide those Services, within a well-defined scope.
8. ACS maintains an escrow account and payment process specifically for projects scheduled to last longer than four (4) months in duration and where the total project Invoice exceeds $250,000, of which more than $100,000 will not be spent until after the fourth month. After the initial Notice to Proceed, subsequent payments to project service providers will require both Member and ACS approval to release subsequent funds from the escrow account.

9. Should Member wish to participate in ACS Services to utilize ACS grant funding for projects, an additional fee will apply to manage the grant process and the Member may be requested to provide a designated participant as part of an ACS project team and help fulfill the tasks required to plan, prepare and gather resources needed for grant submittal. If the grant requires match funding, Member will be required to provide that payment to ACS per the terms above, prior to project initiation.

10. Agreement Term. This Agreement will be for one year, which shall run from June 1st through May 31st of each year (“Subscription Period”) and will become effective upon approval by both Member’s governing body and ACS. This Agreement shall automatically renew for successive one-year terms, unless terminated sooner as provided below. The terms and conditions of this Agreement shall apply to the initial term and all renewals, unless the terms and conditions are modified and approved in writing by both Parties.

11. Annual Payments. The payment of annual Services is due to ACS not later than a minimum of 30 days prior to the end of the annual Subscription Period (e.g. before May 1st of each year), as defined on the ACS Invoice.

12. Termination. This Agreement shall continue as long as Member is using or wants to use Services. Otherwise, either party may terminate this Agreement, providing the other Party with at least thirty (30) days written notice in advance of the end of the Subscription Period, with or without cause, which will terminate all associated Services. If Member terminates its participation during the term of this Agreement or if ACS terminates participation of Member under any provision of this Article, Member will bear the full financial responsibility for any purchases, requests for Services or financial commitments made by Member prior to or after the termination date.

13. Conflict. For any conflicts that arise between Agreement, Invoice, other contracts, other interlocal agreements, or external covenants involving ACS Services, whether directly or indirectly provided to Member, Agreement will prevail.

14. Amendment. During the initial and any subsequent terms of this Agreement, if certain areas need further clarification or revision, the Parties will work in good faith to arrive at written memorandums of understandings regarding those areas. Any amendment of this Agreement must be in writing and executed by a duly authorized representative of each Party.

15. Notice. Official notices or correspondence pertaining to this Agreement to either Party from the other may be personally delivered, emailed with read receipt requested or sent by either First Class Mail or another reliable courier, with signature required.
If sent by email, it shall be the responsibility of the emailing Party to confirm receipt of the Notice with the other.

Notice to ACS shall be sent to:  Notice to Member shall be sent to:
ACS Chairman  City Manager
19953 W 162nd Street  2751 SH 35 Bypass
Olathe, KS 66062  Rockport, TX 78382
Email: Chairman@YourACS.org  KCarruth@CityofRockport.com

16. **Assignment.** This Agreement and the rights and obligations contained herein may not be assigned by either Party without the prior written approval of the other Party to this Agreement. Member may authorize the usage of Member purchased Services by another entity recognized under ACS bylaws.

17. **Force Majeure.** To the extent that either Party shall be wholly or partially prevented from the performance within the term specified of any obligation or duty placed on such Party by reason of or through strikes, stoppage of labor, riot, fire, flood, acts of war, insurrection, accident, order of any court, act of God, or specific cause reasonably beyond the Party's control and not attributable to its neglect or nonfeasance, in such event, the time for the performance of such obligation or duty shall be suspended until such disability to perform is removed; provided, however, force majeure shall not excuse an obligation solely to pay funds.

18. **Not a Joint Venture.** The Parties agree that this is not a joint venture or partnership and that neither Party will have the authority to bind or incur liability for the other.

19. **Severability.** No partial invalidity of this Agreement shall affect the remainder of the Agreement.

20. **Governing Law.** The laws of the State of Texas shall govern this Agreement, except where clearly superseded by federal law.

21. **Venue.** Venue of any dispute arising out of this Agreement or performance hereunder shall be fixed for all purposes in Aransas County, Texas.

22. **Authorization.** The persons executing this Agreement hereby represent and affirm that they have the authorization to sign on behalf of their respective entities.

23. ** Entire Agreement.** This Agreement contains the entire agreement of the Parties and supersedes all other agreements and understandings, oral or written, with respect to the matters contained herein.

The persons executing this Agreement hereby represent that they have authorization to sign on behalf of their respective entities. This Agreement becomes effective as of the last signature date given below.

**BY ACS:**

__________________________  06/05/20
Joe G Abrams, Chairman  Date

**BY MEMBER:**

__________________________  ______________________
Kevin Carruth, City Manager  Date
AGENDA ITEM: 16

Hear and deliberate on status of COVID-19 and response efforts.

SUBMITTED BY: City Manager Kevin Carruth

APPROVED FOR AGENDA: PKC

BACKGROUND: Staff will provide the latest information on the COVID-19 pandemic and local response efforts.

FISCAL ANALYSIS: N/A

RECOMMENDATION: Not an action item.