

**CITY OF TEMECULA
AGENDA REPORT**

TO: City Manager/City Council

FROM: Becky Obmann, Interim Director of Human Resources and Risk Management

DATE: February 10, 2026

SUBJECT: Adopt Amended and Restated City of Temecula Section 125 Cafeteria Plan and Adoption Agreement Pursuant to IRS Changes for 2026

PREPARED BY: Nicole Collins, Senior Human Resources Analyst

RECOMMENDATION: That the City Council adopt a resolution entitled:

RESOLUTION NO

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
TEMECULA ADOPTING THE AMENDED AND RESTATED
CITY OF TEMECULA SECTION 125 CAFETERIA PLAN AND
THE AMENDED AND RESTATED SECTION 125 CAFETERIA
PLAN ADOPTION AGREEMENT**

BACKGROUND: The City Council originally adopted the City of Temecula Flexible Benefits Plan document on September 18, 1990, to provide a benefit plan compliant with Internal Revenue Code Section 125. The plan includes Healthcare Flexible Spending Accounts, a Dependent Care Assistance Program, and group health, dental and vision insurance for eligible employees. The Amendment being recommended by staff is only an administrative update to be in compliance with IRS regulations and does not enhance or reduce any benefits provided to City employees by the City.

The amended and restated Adoption Agreement and Plan Document have been revised as follows:

- A. To increase the limit for the Dependent Care Assistance Account to \$7,500 (\$3,750 in the case of a separate return by a married individual) permitted under Code §129(b) in accordance with the IRS change for 2026;
- B. To update the dollar limit referenced for the Healthcare Flexible Spending Account salary reduction provisions permitted under Code §125(i);
- C. To remove Article XVI, as the Consolidated Appropriations Act of 2021 and its terms have ended; and

D. To update references to the Memorandum of Understanding (MOU) to reflect the Teamster's name change to Teamsters Local 986.

Approval of the Adoption Agreement and Plan Document will provide the framework for staff to take such actions that are deemed necessary and proper in order to implement the Plan, and to setup adequate accounting and administrative procedures to provide employee benefits under the Plan.

FISCAL IMPACT: None

ATTACHMENTS:

- 1. Resolution
- 2. Section 125 Cafeteria Plan Document
- 3. Section 125 Cafeteria Plan Adoption Agreement