

CITY OF CORAL GABLES

--MEMORANDUM--



TO: City Manager Peter Iglesias

CC: Deputy City Manager Joe Gomez; Assistant City Manager Carolina Vester; Human Resources Department; Finance Department

FROM: Commissioner Melissa Castro

DATE: June 30, 2026

SUBJECT: Request for Staff Evaluation of Potential Employee Benefits and Payroll Tax Savings Program

As discussions continue in Tallahassee regarding potential changes to property tax policy and homestead tax relief, municipalities must proactively prepare for the possibility of reduced revenues. Regardless of the outcome of those discussions, I believe we have a responsibility to continually identify innovative ways to improve efficiency, reduce operating costs, and strengthen the City's long-term financial position.

Our goal should be to continue delivering the exceptional level of service our residents expect while minimizing the need for future revenue increases, whether through the millage rate or higher fees for essential services. As we have discussed during our budget process, significant increases to service fees, including sanitation, could place an additional financial burden on our residents. For that reason, I believe it is critical that we continue exploring every reasonable opportunity to reduce costs and improve operational efficiencies before asking our residents to pay more.

This memorandum reflects one of my ongoing efforts to identify opportunities that have the potential to reduce costs, improve efficiency, and better position the City to address future fiscal challenges while continuing to provide the high level of service our residents expect.

As part of that effort, I recently met with representatives of Irongate, a business advisory firm that presented an employee benefits program designed to complement an employer's existing health insurance while potentially generating payroll tax savings through an Internal Revenue Code Section 125 pre-tax benefits structure.

Based on the preliminary information presented, I believe this proposal warrants further evaluation by the appropriate City departments to determine whether it could provide meaningful financial benefits to both the City and our employees.

According to the company, the program is intended to:

- Complement the City's existing health insurance benefits rather than replace them.
- Provide employees with additional healthcare benefits, including telehealth services, urgent care, primary care, mental health counseling, preventive care, and prescription drug coverage with no out-of-pocket costs.
- Reduce employees' taxable income through an Internal Revenue Code Section 125 pre-tax benefits structure.
- Generate corresponding employer FICA payroll tax savings.
- Potentially reduce healthcare utilization and long-term claims costs, particularly if the City's health plan is self-funded.

The company estimates that employers implementing similar programs have realized average payroll tax savings of approximately \$1,150 per employee annually. If those estimates prove applicable to the City, the resulting savings could be significant. The company also indicated that, depending on the City's health insurance structure, additional savings may be realized through reduced healthcare claims utilization.

Accordingly, I respectfully request that the City Manager's Office coordinate with the Human Resources and Finance Departments to evaluate this opportunity, including:

- Determining whether the City's employee health plan is self-funded or fully insured and how that affects the proposal.
- Reviewing the projected employer payroll tax savings.
- Evaluating any potential impact on employee benefits and participation.
- Assessing implementation requirements, administrative responsibilities, and any associated costs.
- Reviewing all applicable legal and regulatory requirements, including Internal Revenue Code Section 125, ERISA, and any other applicable federal or state laws.
- Determining whether similar programs have been implemented by other Florida municipalities or comparable public employers.
- Providing an objective assessment of the potential financial benefits, risks, and operational considerations.

During our discussion, the company advised that it has legal opinions, actuarial analyses, and compliance documentation prepared by nationally recognized firms supporting the program. Specifically, they indicated that they have worked with Deloitte on actuarial analysis and with Baker Donelson on legal and ERISA compliance. The company has agreed to provide those materials for the City's review, and I will forward them to the appropriate departments once they are received.

I appreciate staff taking the time to evaluate this opportunity. As we continue preparing for future budget discussions, I believe it is important that we remain proactive in identifying innovative ways to strengthen the City's financial position while protecting both the quality of services our residents rely upon and the benefits offered to our employees.