

LRB-RESEARCH AND ANALYSIS SECTION

FINANCE AND PERSONNEL COMMITTEE

ITEM 11, FILE # 060340

JULY 10, 2006

MARK A. RAMION

File # 060340 is a substitute resolution approving a contract extension with *ProcessWorks* to administer the City of Milwaukee Flexible Benefits Plans in 2007, including a Flexible Benefits Parking plan.

Background

1. This resolution will approve a one-year contract extension with *ProcessWorks* to administer the City of Milwaukee Flexible Benefits Plans in 2007.
2. This resolution further extends the flexible benefits contract to include pre-tax withholding for the purpose of reimbursing City employees for allowable parking costs.
3. Currently, *ProcessWorks* charges a flat fee of \$3.50 per member. This fee will increase to \$4.00 per member in 2007.

Discussion

1. *ProcessWorks, Inc.* currently administers the City of Milwaukee Flexible Benefits Medical Plan and the Flexible Benefits Dependent Care account.
2. The Internal Revenue Service (IRS) will allow pre-tax contributions for allowable parking fees for employees. DER estimates that approximately 125 employees will utilize this pre-tax parking benefit in 2007.
3. This resolution will extend and authorize the contract with *ProcessWorks, Inc.* to administer a Flexible Benefits Parking plan to reimburse City employees for eligible parking expenses on a pre-tax basis.
4. When Congress enacted the Balanced Budget Act of 1997, it allowed employers to offer their employees a choice between cash and employer-paid parking or public transportation expenses. Employers can subsidize their employees' parking and commuting expenses. Under current rules, this benefit is not considered income and is, therefore, tax-free to employees. It is also excluded from wages for FICA purposes, and is deductible as a normal business expense.
5. For 2006, the IRS allows the exclusion of up to \$205.00 per month for qualified parking expenses.

Fiscal Effect

1. The total amount of this resolution is \$50,000, to be expended from the Flexible Benefits SPA for 2007.
2. The City will be charged a one-time setup fee of \$1,050 for this program. The monthly per member administrative fee will apply.
3. The City realizes cost saving from the avoidance of federal and Social Security payroll taxes. The City is currently avoids FICA taxes of \$520,000 on the pre-tax of health and dental contributions, \$70,800 through pre-tax of medical savings accounts, \$18,800 through pre-tax of dependent care accounts, and anticipates avoiding up to \$10,000 through pre-tax of the parking plan.

Prepared by: Mark A. Ramion, X8680
LRB-Research and Analysis Section
July 5, 2006

Cc: Marianne Walsh
W. Martin Morics
Maria Montea gudo
Michael Brady
Edwin Reyes