

August 26, 2025

**ADOPT A RESOLUTION TO RETROACTIVELY
APPROVE A SECTION 125 CAFETERIA PLAN AND
ADOPTION AGREEMENT**



BACKGROUND

- In January 2023, the City implemented a “Cafeteria Plan” under Section 125 of the Internal Revenue Services (IRS) Code.
- A Section 125 Plan allows for pretax payroll deductions for healthcare plans, other medical out-of-pocket expenses and dependent care expenses.
- The City followed the required steps to establish and implement Section 125 Cafeteria Plan. However, a recent audit of files revealed that there was a requirement for the governing body (i.e., the City Council) to approve the plan by resolution to comply with IRS regulations.



RECOMMENDATION:

- Adopt a Resolution to approve a Section 125 Cafeteria Plan, retroactive to January 1, 2023; and
- Authorize the City Manager to execute a Section 125 Cafeteria Plan Adoption Agreement, subject to approval by the City Attorney.

