

## AMES TRANSIT AGENCY BOARD OF TRUSTEES

AMES, IOWA

November 9, 2016

The Ames Transit Agency Board of Trustees met on November 9, 2016 at 7:00 a.m. in the CyRide Conference room. President Haila called the meeting to order at 7:04 a.m. with Trustees Gartin, Madden, Schainker, Staudt, and Valentino present.

**APPROVAL OF MINUTES:** Trustee Gartin made a motion to approve the October 18 and November 1, 2016 minutes as presented. Trustee Madden seconded the motion. (Ayes: Six. Nays: None.) Motion carried.

**PUBLIC COMMENTS:** No public comments were received.

**MOTION TO HOLD CLOSED SESSION AS PROVIDED BY SECTION 21.5(1)(c) Iowa Code, to discuss matter in pending litigation:** Trustee Gartin asked Judy Park, City Attorney, if there was the agenda item had a legal basis to continue into closed session and Judy Parks, City Attorney, responded that it did. Trustee Gartin, so moved. Trustee Schainker seconded the motion. Vote on Motion. (Ayes: Six. Nays: None.) Motion carried.

Moved by Trustee Gartin, seconded by Trustee Staudt, to return Regular Session. Vote on Motion: 6-0. Motion declared carried unanimously.

Trustee Staudt left at 8:40 a.m.

The meeting reconvened in Regular Session at 8:50 a.m.

President Haila requested each member present at the meeting to introduce themselves. In addition to board members and CyRide staff, the following individuals were present: Susan Freed, Davis Brown Law Firm, Kaila Kenjar, City of Ames Human Resources Director, Duane Pitcher, City of Ames Finance Director, Bill Latham, Chief Stewart 234 Local Operating Union and Judy Parks, City of Ames Attorney.

President Haila opened the discussion by asking Director Kyras to provide information regarding the impact and cost of the options identified for continued compliance with the Affordable Care Act and the results of a peer analysis. Director Kyras began by detailing background information regarding the budgeted (\$628,020) and annualized 2016-2017 cost for health insurance (\$732,842) for CyRide employees. Director Kyras then provided further background information regarding a possible funding source for health care costs (CyRide's Closing Balance). She indicated that unaudited estimates provided for slightly more than a \$1.5 million dollar balance and, that retaining only a 10% balance would provide CyRide's board with options on how to spend the remaining estimated \$532,126 in uncommitted dollars.

Director Kyras provided details about the breakdown between full-time and part-time drivers and when they were offered insurance. She indicated that CyRide has 24 Full-time positions working between 38-40 hours and approximately 146 part-time drivers who work 15-38 hours per week. Further she shared that all drivers start at a part-time status and that it can be anywhere from six to eight years for a driver to possibly be promoted to a full-time, 40 hour position. Drivers are offered insurance at 100% employee cost until they reach Step C in the City of Ames Pay Plan, which is achieved when a driver works 8,320 hours and can then participate in premiums at their work status rate of ½ or ¾ time. When they reach full-time employment they are offered insurance at a lower, full-time premium rate.

President Haila asked if employees at C Step are offered insurance and if they pay 100% of health insurance premium. Director Kyras clarified that C-step employees are offered insurance at ½ or ¾ time premium rates.

To ensure compliance with the ACA, Director Kyras indicated that there were three groups of employees where changes would need to be made. First, she indicated that part-time employees, working more than 30 hours per week, during the last measurement period would need to be offered insurance in arrears. She indicated that the board had approved this change at the October 18, 2016 meeting and it had been implemented. Second, she indicated that drivers working more than 30 hours per week in the current measurement period would need to be addressed through one of the five options that she would be presenting to the transit board and third, that part-time employees that were currently at, or just became eligible for, the City's Step C insurance coverage would need to be offered single and dependent care coverage.

Director Kyras then explained the cost assumptions that had been used for consideration for each of the options to ensure compliance:

- **Insurance Costs** - All eligible individuals would take the insurance, with 75% accepting single coverage and 25% family coverage.
- **Overtime Costs** - 5,482 overtime hours would be required each year
- **Training Costs** - \$3,200 per trainee
- **Personnel** – Additional staff would be needed under some options as CyRide's workforce would grow and change as a result of the option modifications
- **Unemployment Costs** – Would rise under some options with the need to lay off employees in the summer

Director Kyras provided a brief explanation of the five options prepared for board consideration. First option is to reclassify drivers, as either 40 hour employees, employees working over 30 hours, or under 30 hours. There would be no status changes allowed for the year and would require mandatory overtime for drivers working more than 30 hours, and no overtime would be allowed for less than 30 hours employees. She explained the anticipated impact on CyRide's workforce and indicated the potential cost could be \$648,229.17, with the largest costs attributed to additional insurance and training costs. She indicated that this option could be implemented in July-August 2017. Trustee Schinker shared his thoughts that the cost estimate could be higher than actual, as it was based on the assumption and some employees would possibly choose to not take the insurance.

Trustee Gartin asked if the transit board would need to make a decision on one of the options at the current meeting. Kaila Kenjar, the City of Ames Human Resources Director, indicated that it would be in the transit board's best interest to do so, so that any approved modifications could be implemented by January 1, 2017 to stay in compliance.

Trustee Gartin questioned whether the transit board could make a decision or recommendation at the current meeting and asked whether the City Council would need to also discuss what the transit board is going to be asked to approve. Trustee Schainker indicated that it was the responsibility of the transit board to make sure CyRide employees would be in compliance with ACA.

Director Kyras indicated that the second option was similar to the first option; however, "variable" positions would be added for part-time employees that CyRide was unsure if they would work 1,560 hours or more. These employee's hours would be monitored and they would be able to work overtime hours. She indicated that the additional cost to CyRide was estimated to be \$586,718, indicating that the major costs were centered around overtime and insurance costs, with lower training costs than the first option.

Trustee Gartin requested clarification of staff's comment that morale would be impacted. Director Kyras indicated that requiring CyRide's most senior drivers to work overtime would not be popular and, as a result, it is believed that a number of driver's would either quit or the remainder would be less happy to have it impact their personal lives and activities.

President Haila asked for further clarification of how the "variable" status would work and if it was the employees choice to be put in this category. Director Kyras said that adding variable hour employees would be decided by CyRide at the time employees were hired, based on their seniority and other factors contributing to their hours worked.

Trustee Madden clarified that employees are not currently forced to work overtime. Director Kyras responded that they were not.

Director Kyras explained the third option, which is how CyRide is currently operating, except that CyRide/City staff would need to track employee's hours, requiring additional administrative work to accurately administer health insurance to comply with ACA. With this option, all new employees would be considered variable hour employees and could move between statuses, as opposed to the first two options where statuses could not change. She indicated that there would be no impact to the workforce with this option and that the cost is estimated to be lower than the previous options at \$342,878.

Director Kyras then explained the fourth option, which is to offer every CyRide employee insurance at their status premium rate and that it would be the most expensive estimated at over \$766,000 per year.

Trustee Gartin shared his thoughts that students would be covered under their parent's insurance plan and that the actual cost could be lower. Trustee Schainker indicated that the Director's assumptions were the same for each option so that options could be compared, but that the actual cost could be

lower. He asked if board members would like staff to use different assumptions and if so staff could recalculate the costs. No further suggestions were made.

Susan Freed, with the Davis Brown Law firm, clarified administrative requirements under the options, indicating that even under the fourth option where everyone received insurance that there would still be annual reporting requirements and additional administrative work to track employee hours to compile this information.

Director Kyras explained the final option, which is to eliminate all full-time employee positions and only offer part-time positions, working less than 30 hours per week. She indicated that it was her belief that CyRide could lose a significant number of >30 hour per week employees (possibly 50 drivers) and that it would be difficult to attract non-student drivers in the future. She also indicated that the number of hours worked for each employee would need to be monitored to make sure they did not exceed the 1,560 hours per year. She indicated the estimated additional cost of this option would be \$720,789 mainly due to training costs and additional personnel needed to manage a workforce of an estimated 225 drivers compared to 170 currently.

Trustee Madden shared his thoughts that he was not in favor of this solution, citing the past challenges that CyRide has had in hiring an adequate number of drivers over the past few years. He indicated that he did not believe it was a realistic model.

Director Kyras then presented the peer analysis that the transit board had requested, indicating she had gathered data from four Iowa transit systems and three national systems as summarized below:

- **Cambus** - All employees are part-time, cannot not exceed 1,560 hours. All employees are students who are responsible for tracking their own work hours. This option would compare to CyRide Option #5.
- **Iowa City** - All employees are full-time and are offered health insurance. This option would compare to CyRide Option #4.
- **Des Moines DART**- Has 115 full-time employees and 75 part-time employees, who work under/over 30 hours a week. All employees are offered an ACA-compliant "Bronze" plan. They worked with Holmes Murphy to design their ACA compliant plan. This option would compare to CyRide Option #4.
- **HIRTA** - Has full-time and part-time employees, who work under 30 hours per week; however, their employees can work overtime that could put them over the ACA limit. Holmes Murphy helps administer their compliance with ACA. They made no changes in work policies. This option would compare to a variation of CyRide's Option #3.
- **StarTrans, Lincoln, NE** - Has only full-time employees and offers insurance to every employee. This option would compare to CyRide Option #4.
- **Blacksburg Transit, Virginia** - Has 14 full-time and 91 part-time employees. Part-time employees do not receive insurance and can only work 1,500 hours per year. Their hours are monitored. This option would compare to CyRide Option #5.

- **Lubbock, TX** - Has 137 full-time employees and 43 part-time employees that work less than 30 hours per week. This option would compare to CyRide Option #5, with a few full-time employees.

Staff shared its summary findings, which were that most systems chose to operate under a model where everyone received insurance or all, or most, drivers were part-time. Further, that the systems did not change their work policies, other than to cap annual part-time work hours, to comply with the ACA.

Trustee Schainker asked how other transit systems managed the high school-year ridership and staffing needs with summer reductions in both. Director Kyras indicated that most systems did not reduce their service levels from school-year to summer as dramatically as CyRide and were incurring more operating costs to offer this type of service.

Director Kyras said the last issue to ensure CyRide's compliance with the ACA was to address employees at, or just achieving, "C Step" status in the City of Ames Pay Plan. She indicated that current employees would need to be offered dependant coverage and new employees achieving this status would need to be offered a choice of single/dependant coverage. She estimated the cost to be between \$30,000 and \$72,000 per year.

Trustee Madden made a motion to authorize C Step employees to be offered family plans. The motion was seconded by Trustee Valentino.

A general discussion of the ACA ensued. Trustee Gartin asked if there were any further staff recommendations on which option should be adopted. Director Kyras shared her thoughts that option #3 in the short-term would serve the organization the best by not impacting its workforce and putting the administrative burden on staff. Further, she indicated that staff could work toward a different option in the longer term if the board desired.

Kaila Kenjar recommended adopting a variation of option #5.

Trustee Madden indicated he was comfortable with Option #3 and asked what CyRide staff would need to do to implement this in the next three months. Director Kyras indicated that drivers that have a regular schedule with over 30 hours per week would need to be offered insurance, which is approximately 42 employees, if they are not determined to be "variable employees" under the ACA.

Susan Freed shared further direction after gaining a better understanding of CyRide's workforce from this meeting. She indicated that she believes that all part-time employees could be placed into a "variable" employee status and their hours monitored. If they worked more than 1,560 hours, they would need to be offered insurance in arrears.

Trustee Schainker said this creates the need to establish a set of policies on how to administer the variable employees as they changes status and work hours. Trustee Schainker asked other board members if they were willing to incur additional administrative costs to administer these policies whether it was done by CyRide, city staff or by an outside administrator. There was concern about agreeing to this approach without knowing what this cost might be.

Kaila Kenjar further clarified that there would need to be consideration of the premium amount to ensure that it was determined to be "affordable" under the ACA. She indicated that complying with this would be difficult as individuals moved in and out of status' and their wages changed.

Duane Pitcher shared his thoughts regarding parameters needed to be established as option #3 would require a significant number of policies. He indicated that the following issues would need to be addressed under this option: reduction of hours and pay, how to collect premiums if an employee does not receive a paycheck or it does not cover the premium, premiums during Leave of Absence, changing status and eligibility for insurance as employees move in and out of these status and how to track all these variations.

President Haila shared his thoughts that CyRide's compliance with the ACA is a complicated issue and that board members need to make sure they are making the best decision moving forward and that making a quick decision on this issue makes this task even more difficult. Further, he indicated that it would be helpful to have more information about the administrative costs that would be needed to implement option #3.

Trustee Madden said that he believes that it is a priority for CyRide to be able to maintain its current service level in whichever option is chosen. Further, he indicated that it is important to treat employees fairly and to maintain a positive working environment for its employees.

Trustee Gartin shared his thoughts that he preferred option #1 as it is the most consistent with other City of Ames employee benefits and it fairly compensates employees across the city organization. Duane Pitcher clarified that the City of Ames employs full-time and regular part-time employees, which are 3/4 and under 30 hour's workers, and that each employee is offered insurance, based on their position status.

Trustee Gartin asked if a different option could be chosen in a year if it was discovered that a different model would benefit CyRide more. Director Kyras indicated that it could be changed, but that we needed to consider the impact on employees when doing this.

Duane Pitcher shared his thoughts that CyRide will never know how many people will take insurance until the budget year is completed, which makes budgeting for this line item difficult.

President Haila asked the Director to summarize her recommendation for board members. Director Kyras indicated that in the short term she would recommend option #3 as she believes that CyRide could ensure compliance, while minimizing the negative impacts on the workforce. It was also the least costly option for the agency. She acknowledged that it put a great deal of pressure and possibly additional cost on CyRide/City staff to develop the policies and to administer them correctly, but felt this was the best option at this time. She indicated that other options could be studied for future implementation to determine if they could reduce the financial burden or financial impact.

Trustee Madden shared his thoughts about the impact of choosing option #3. He indicated that students most likely would not choose the family plan and that many would not choose the single coverage as they would be included on their parents plans. Therefore, the costs presented would most likely represent the worst-case scenario.

Trustee Schainker asked board members if they would commit to the financial costs of administering option #3 without knowing the costs at this time as there was not experience with what might be needed to comply. Trustee Madden indicated that he was in favor of the option/administrative costs if it required an additional payroll person, but not if it takes purchasing a complete software package to handle this or other costly measures.

Susan Freed shared that once the policies document is completed and training of the individuals involved in implementing the changes is done, that she believes that the process should be relatively easy to administer.

Trustee Madden shared his thoughts that CyRide staff had been working on analyzing the different models and that he was comfortable with the direction that was being recommended. Further, he indicated that CyRide is a great public entity, with great service, and that he was willing to maintain employee morale, at a reasonable cost to the agency.

Duane Pitcher again shared his concerns with administration of the different measurement periods, with employees moving in and out of statuses throughout the year and the overall complexity of the administration process under option #3.

A question was raised regarding the C step employee change. Director Kyras clarified that current employees would need to be offered dependant coverage and employees new to the C Step status would be offered single or family coverage to comply with the ACA requirements.

Kaila Kenjar clarified the process for the 14 individuals that would receive insurance based on working more than 1,560 hours last year and the C Step employees. She indicated that the 14 individuals offered insurance in arrears would be eligible December 1, 2016 and that the C step employees would be eligible January 1, 2017 if the board approved this offer of coverage. The remainder of the employees, other than full-time employees, would be measured and offered insurance in the future. Further, she indicated that the question to be determined under this option would be what premium rate to charge employees based on their status.

Trustee Madden shared his thoughts that offering insurance to approximately 20 drivers at this time was not an unreasonable cost to absorb into the current budget.

Trustee Schainker clarified the next steps if Option #3 was approved. He indicated that the Human Resources and Finance Departments along with CyRide staff would need to develop the policies needed to ensure compliance with ACA and then determine what resources/costs would be needed to implement this option.

President Haila called for the vote on the C Step employees. (Ayes: Five. Nays: None.) Motion carried.

Trustee Gartin moved that the transit board direct staff to develop a more defined approach to Option #3 and that staff develop the needed policies to accompany this option, along with a cost estimate for administration efforts and further to provide this information to board members at a future meeting. He indicated that he believes that option #3 is the most viable alternative, but that he still has more questions. Trustee Madden seconded the motion and added the preference that this information be brought back to the board at the November 30, 2016 transit board meeting. Director Kyras indicated that it would most likely take longer than the November 30th meeting to develop the policies as this was only a few weeks away, but would bring the information to the board as soon as possible. (Ayes: Five. Nays: None.) Motion carried.

President Haila shared his thoughts that he believes that Option #4 was financially not reasonable, that Option #5 is not a viable option due to the staffing issues CyRide has been experiencing, that options #1 and #2 would have too great of an impact on morale issues, so he indicated that option #3 seemed to be the only reasonable option at this time. Further, he shared concern in understanding its implications and other costs that are unknown at this time.

Trustee Gartin inquired about the timing of the policy and actual implementation. Trustee Schainker said that staff would move forward immediately to begin working on the policies, but that this did not commit the board to this direction at this time. He indicated that the transit board would approve the policy and that staff would need to feel comfortable with the monitoring requirements that would be needed under option #3.

**SET FALL SEMESTER MEETING DATES AND TIMES:**

- November 30, 2016, 8:00 AM
- December 22, 2016, 1:00 PM (special meeting)

**MOVE TO ADJOURN:** Trustee Gartin made a motion to adjourn at 10:15 a.m. Trustee Valentino seconded the motion. Motion was approved.

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John Haila, President

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Joanne Van Dyke, Recording Secretary