



Request for City Council Committee Action

Date: February 24, 2003

To: Ways and Means/Budget Committee

Referral to: City Council

Prepared or Submitted by: _____ Ann Eilbracht Phone: 673-2139

Approved by: _____ John Moir, City Coordinator

Subject: Metropass Program and Other Optional Employee Benefits

Presenters in Committee Ann Eilbracht

Recommendation

The Ways and Means/Budget Committee should delay deciding whether the Human Resources Department should offer the MetroPass Program, or if it should continue offering the Metro Transit Program. This decision should be delayed until the Human Resources Department has decided whether it can continue to offer any optional employee benefits given the challenging financial constraints.

Financial Impact (Check those that apply)

No financial impact (If checked, go directly to Background/Supporting Information)

Action requires an appropriation increase to the Capital Budget

Action requires an appropriation increase to the Operating Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain):

Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information

The Metropass Program is sponsored by Metro Transit and offers discounted annual bus passes purchased by employers for their employees. The Citywide LMC studied the program and asked the City to consider offering it to our employees. Metropasses offer significant tax credits, and give employees an alternative to driving to work, thus reducing traffic congestion.

The Human Resources Department already offers discounted bus passes to employees, through a program called Metro Transit. Our current program is available to all interested employees, but requires no financial support from the City.

COMPARISON OF METROPASS AND METRO TRANSIT PROGRAMS

The Metroprass Program requires the employer to establish a contract based on the number of employees that they expect to ride the bus (thirty percent of those eligible). For example, if Metropass expects that we have 1000 eligible employees, they would write the contract for 300 employee participants. The City would enter into a contract with Metro Transit and pay \$63 per month (valued at about \$100, based on typical ridership) for each of the expected participants, regardless of how many employees actually enroll. The contract would require the City to make quarterly payments of \$56,700.

Interested employees would enroll, and be issued an annual Metropass. The Metropass allows the employee to ride for free at any time on any bus and will include light rail. It would be our responsibility to collect the \$63 per month, on a pre-tax basis, from each participating employee. Any uncollected fees would be the City's obligation to pay. The Human Resources Department would monitor lost ID cards, set up payroll deductions, maintain the plan documents and enrollment forms, and reconcile employer contributions with pretax salary deductions.

The Transit Program allows interested employees to enroll at any time during the year and cancel at anytime. At a minimum, the employee must purchase five bus passes, valued at \$22 each, but sold for \$18 each with pre-tax payroll deductions (saving the employee approximately another 30%, depending on tax bracket). Approximately 250 employees enrolled in the Transit Program at the beginning of 2002. Participation dropped to 200 by the end of the year. Employees don't always ride the bus, so over the course of the year, they tend to store up unused cards. They will often cancel their enrollment until they use their unspent cards that do not expire at the end of the year.

The Human Resources Department publicizes the program, sells the cards, sets up pre-tax payroll deductions, and cancels the participant when they decide not to continue. We transfer the funds to metro transit and maintain records. The City bears no financial risk for this program.

When comparing the two programs, one sees that the City would incur financial risks with the Metropass Program that it does not with Metro Transit. That is, if fewer employees actually enroll than are predicted, the City pays the difference. Employees may get more of a discount with Metropass if they are consistent users and/or travel long distances. With Metro Transit Program, the employee saves about \$15 each month (pre-tax), and with the Metropass Program, the employee saves \$37 per month (pre-tax). But the employee cannot cancel the program once he/she enrolls, even if the employee's travel habits change. With the Metro Transit Program, the employee can opt out if he/she has accrued unused cards that would last through the end of the year. The City will save money on salary taxes with either program, and employees see more take-home pay.

OTHER OPTIONAL EMPLOYEE BENEFIT PROGRAMS

The Human Resources Department provides several optional employee benefit programs. Employees pay the full cost of these benefits, but the administration of each plan requires monthly staff support. These programs include:

Optional Program	Participants
AFLAC Sick & Accident Insurance	74
Chiro-Serve America	237
Colonial Life & Accident Insurance	189
Monarch Life Insurance	4
ReliaStar Universal Life Insurance	298
ReliaStar Short Term Disability	310
Auto, Home & renters Insurance	35
Metro Transit Bus Cards	179
Pretax Parking Program:	
Centre Village Ramp	24
Haaf Ramp	37
Gateway Ramp	51
St. Anthony Ramp	9
Standard MCDA Ramp	49
Welsh MCDA Ramp	30

The Human Resources Department publicizes these optional programs on its website and at New Employee Orientation. Interested employees complete the necessary application and approve the required payroll deduction. Benefits staff enrolls the employee in the program, audit monthly deductions, assure continuing eligibility, and transfer monthly payments to the program provider.

Over the last two years, the Human Resources Department has also implemented a new Criminal Background Check Process when hiring new employees in selected job titles. We have also added a new Drug and Alcohol Screening Program for new hires in specific job titles. No single program requires a fulltime employee to administer, but collectively, these programs require substantial time and attention.

In anticipation of upcoming budget cuts, the Human Resources Department is considering eliminating all the voluntary programs and reducing the workforce accordingly.