

COUNCIL ACTION FORM

**SUBJECT: EMPLOYMENT OF TEMPORARY PROJECT EMPLOYEE – MEETING
FEDERAL THRESHOLD TO OFFER HEALTH INSURANCE**

BACKGROUND:

On November 12, 2013, the City Council voted to convert the City's power plant from coal to natural gas. Implementing that decision requires a significant amount of engineering, installation of equipment, and modification and construction in the power plant.

One of the critical tasks involved with this conversion is doing precise, detailed drawings and schematics for the project. For the past year a temporary employee has been assisting the Electric Engineering staff in accomplishing this work. The employee has the unique skill set of architecture, Auto Cad and now a year of experience doing this detailed work. This work is critical in keeping the conversion project on track.

This employee was originally hired on a "temporary" basis, and will only remain employed through completion of the plant conversion next year. The Affordable Care Act requires that the City offer health insurance benefits to employees who work over 1,560 hours in a year. That threshold will soon be surpassed, since the services of this employee are now needed full-time. It is anticipated that this individual will work through April of 2016.

Under the City's adopted Personnel Policies and labor relations contracts, benefits (including health insurance) are only offered to regular permanent employees, and not to temporary employees. Regular permanent employees are the "full time equivalents" (FTE) approved by City Council as part of the budget process. Since this need will only exist until early 2016, it seems advisable to offer health insurance coverage to this individual, rather than to create or modify a permanent FTE for this short term need. Council authorization is needed to authorize this action.

The ACA requires the employer to offer health benefits to the employee, but does not require the employee to accept that offer. In the event that this employee does accept that offer, the anticipated cost to employ this individual on a temporary basis with health insurance included is projected to cost approximately \$64,854 over the next 15 months. The estimated cost to create and fill a permanent FTE for this same period would be \$97,157. The difference in these two costs is attributable to the permanent FTE receiving a significantly higher rate of pay and additional benefits.

This employee will be offered full open enrollment in the City's health insurance program with the same cost sharing options as permanent City employees. Funding for

this expense, if the offer is accepted, will come from the Electric Engineering and Electric Administration budgets.

ALTERNATIVES:

1. Authorize offering health insurance benefits to this temporary employee in Electric Services to complete this special project in support of the power plant fuel conversion.
2. Authorize an additional FTE over the next 15 months to accomplish this work. This would be a more costly way to fill this project need.
3. Reduce the hours this individual works and do not offer health insurance. This alternative would jeopardize an important component of the power plant conversion process.

MANAGER'S RECOMMENDED ACTION:

This is a very unique situation that falls part-way between “permanent” and “temporary” employment. The current individual has specialized training and experience in the needed work. Cutting back on the individual’s hours would be detrimental to the project. Adding a permanent FTE would involve significantly higher costs for the same work. The recommended alternative provides for retaining the current individual while ensuring that the City is compliant with the federal Affordable Care Act.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving offering health insurance to this temporary employee.