



Staff Analysis

Living Wage Ordinance and How it Impacts the City and those that Contract with the City

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CITY OF GAINESVILLE STAFF ANALYSIS

Legistar No: 160264

Title: Living Wage Discussion

Sponsor: City Commission

City Staff Contact: Betty Baker, Liaison to the General Policy Committee

Summary of Issue

The City Commission referred to the General Policy Committee a discussion of the City's Living Wage and how it impacts the City and those that contract with the City.

History/Background Information

In March 2003, the City Commission adopted Ordinance Number 020663 creating Article IX of Chapter 2, establishing a living wage requirement for certain employees of contractors providing selected services to the City. The ordinance applies to all contractors or subcontractors who employ 50 or more persons and who provide covered services purchased by the City under a single contract over \$100,000. The living wage specified in the ordinance was set at \$8.70/hour for those offering health benefits and \$9.95/hour for those not offering health benefits.

The ordinance requires an adjustment annually in accordance with publication of the new federal poverty guidelines. The current living wage is \$11.6827/hour (health benefit wage) and \$12.93/hour (non-health benefit wage).

The living wage is based on the federal poverty guidelines for a family of four as determined by the U. S. Department of Health and Human Services (DHHS) and published in the Federal Register.

In July 2015, the Ordinance was amended to codify the City's longstanding practice of providing a living wage to regular employees of the City. (The ordinance does not currently cover temporary employees.)

The current federal minimum wage is \$7.25/hour. The current Florida minimum wage is \$8.05/hour.

There are two parts to this discussion: (1) city employee wages and (2) wages to contractor's employees. The Commission may want to consider the following information during discussion.

City Employee Wages

- Total Compensation

Hourly Rate	\$11.68	\$12.00	\$12.25
Health Insurance	2.59	2.59	2.59
Pension/Ret health	2.10	2.15	2.20
Paid Time Off	.90	0.92	0.94
Compensation Rate	17.27	17.67	17.98
Statutory Benefits*	1.13	1.16	1.18
Total Compensation Rate	18.39	18.83	19.16
Incremental Hourly increase over Current		0.43	0.77
Annual Incremental Increase		\$900.51	\$1,604.03

Bold indicates 2016 living wage level

*Statutory Benefits include Medicare/FICA and Worker's Compensation

- Additional Cost to City

- Consider ability to pay for all associated costs now and every year forward
- **Base Cost** (Includes Temps)

\$12.00/hour	Estimated at \$300,470 for FY'17 annualized
\$12.25/hour	Estimated at \$369,421 in FY'17 annualized

- Consider not only base cost, but also include
 - Overtime pay (extremely sensitive to base rate pay changes)
 - Premium pay
 - Addressing compression and internal equity with increase to benefits cost

- City's Current Compensation Policy C-1

- External labor market and internal equity shall be used to establish the pay structure
- Internal equity is the primary consideration for bargaining-unit classifications
- Requires addressing internal equity and compression
- A blanket increase for certain positions does not fit the City's established pay philosophy

- Bargaining Units
 - CWA and ATU will be affected
 - Changes must be bargained
 - Consider demands to address compression and internal equity

Other bargaining units (FOP, PBA, IAFF) are likely to demand the same percentage increases for their members

- Employees Earning Less Than \$12.00/hour (as of 7/12/16)

General Government				Title	# of Employees
Seasonal	56	29	Part-time	Seasonal	29
		27	Full-time	Seasonal	27
Temporary	81	72	Part-time	INTERNSHIP	2
				School Crossing Guard	25
				Techs - Temp	1
				Temporary Facility Assistant	13
				Temporary Lifeguard	9
				Temporary PRCA Supervisor	12
				Temporary Recreation Assistant	4
		Temporary Swim Instructor	6		
		9	Full-time	Techs - Temp	3
				Temporary Facility Assistant	3
				Temporary Recreation Assistant	1
				Temporary Police Cadet -2	2
		Regular	35	4	Part-time
Cultural/Nature Building Attendant	2				
Recreation Aide 1	1				
31	Full-time			Maintenance Worker I RTS	1
				Parks Maintenance Worker	3
				Vehicle Svc Attendant RTS	3
				Tree Surgeon 1	2
				Trainee/PTTP	22
GG Total	172				
GRU				Title	# of Employees
Temporary	8	8	Part-time	INTERNSHIP	8
Regular	7	7	Full-time	Clerk 1	1
				Progression-Through-Training Program	6
GRU Total	15				
Subtotals					
Temp/Seasonal	145				
Regular	42	(28 in PTTP/Trainee Programs)			
Total	187				

Wages to Contractor's Employees

- Currently applies to contracts over \$100,000 (for *covered services** only, as defined in Sec. 2-615 of the Living Wage Ordinance, and those businesses which are not considered exempt**)
- Contractors' payroll and benefits would be affected similarly
- If applying to contracts less than \$100,000, then local, minority, women and veteran-owned businesses may be affected (but only if the current \$100,000 threshold is lowered, and the other conditions of the LW Ordinance are met by the business in question)
- If health benefits are not offered, the Living Wage is currently \$1.25/hour higher.

Additional Comments:

1. *Assumes there is no expansion of the definition of covered services which would result in more businesses falling under the provisions of the Living Wage Ordinance.
2. **Businesses which are either non-profit, located in a City Enterprise Zone, supplying services as part of a co-op purchasing bid, or which employ fewer than 50 employees, are considered exempt from the provisions of the current LW Ordinance. Additionally, when the City accepts federal funds for construction contracts (including for highways) in excess of \$2,000, then Davis-Bacon and Related Acts applies. This act requires contractors and subcontractors to pay their laborers and mechanics no less than the locally prevailing wages and fringe benefits for similar work on projects in the area as determined by the Department of Labor.
3. As noted under Comment #2, the Living Wage Ordinance does not apply to businesses employing less than 50 persons. In comparison, a company must employ fewer than 100 employees to qualify as a small business under the General Government Small Business Procurement Program (SBPP). A case could be made that raising the threshold for falling under the provisions of the Living Wage Ordinance to 100 employees would help align the LW Ordinance with the current GG SBPP, and possibly serve to create an additional incentive for small businesses to compete for the City's business.

Options

- Discuss the City's Living Wage Ordinance giving consideration to adjusting the City's Living Wage to \$12.00/hour at a future City Commission meeting, effective the first full pay period in January 2017, requiring annual adjustments at the same rate as negotiated for CWA employees.
- Discuss the City's Living Wage Ordinance giving consideration to adjusting the City's Living Wage to \$12.00/hour at a future City Commission meeting, effective the first full pay

period in January 2017, requiring annual adjustments at a certain percentage rate higher than the federal poverty guidelines for a family of four.

- (102% would currently be \$11.9164/hour)
 - (103% would currently be \$12.0332/hour)
 - (104% would currently be \$12.1500/hour)
 - (105% would currently be \$12.2668/hour)
- Discuss the City's Living Wage Ordinance and provide direction to staff to research specific questions/options; continue discussion to a future General Policy Committee meeting.

Staff Recommendation

Discuss the City's Living Wage, take any action deemed appropriate, and remove the item from the referral list if applicable.