

Item #180999

DATE: January 29, 2020
TO: Bill Shepherd, Chief Customer Officer
FROM: James Frampton, Procurement Manager
SUBJECT: Anticipated Impacts for GRU of the Proposed Living Wage Ordinance

The City Commissioners have requested the following information based on the Alachua County Living Wage Ordinance with the following changes:

- Applies to all service contracts with the City regardless of dollar value
- Set the living wage as the wage paid to the lowest paid city employee plus \$2.10 if no health insurance is provided by the service provider.
- Apply new requirements to contracts by October 1, 2020

Anticipated Impacts:

- Estimated annual labor monetary impact based on 2018 spend using a combination of contractual rates of pay when available and Bureau of Labor Statistics rates for the City of Gainesville area:
 - Estimated annual impact range for GRU FY 2021 is between \$883,349 and \$2,389,561 depending on whether or not the contractor is providing its employees with health care benefits.
 - Estimated annual impact range for GRU by FY 2024 is between \$2,270,841 and \$4,763,959 depending on whether or not the contractor is providing its employees with health care benefits.
- Volume of bids received. The Alachua County Procurement office was contacted to see how their bids were impacted by their Living Wage Ordinance since we have no history yet to answer this question. Since Alachua County uses some of the same vendors, we should receive similar results. They did not notice any significant change in the volume of bids submitted.
- Cost increases and administrative burden on small, women and minority owned businesses. I contacted Alachua County Procurement and ask if they received complaints about cost increases and the additional administrative burden. Since

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we do not have a history yet and Alachua County uses some of the same vendors, we should receive similar results. They did receive a few complaints at first about the cost and administrative burden, but not recently.

- Estimate of 40 hours a week staff time to check/monitor for LW adherence and to notify employees of pay requirements of the successful bidder based on Alachua County program. Since all the services we purchase will require compliance with Living Wage requirements, we may potentially need a 3rd party certifier to make sure contractors are adhering to the Living Wage requirements. This service can be provided by consultants that also provide compliance services for the Davis Bacon act. The cost of these services would depend on the number and complexity of the services provided.
- Alachua County's Living Wage ordinance only applies to selected services over \$50,000.

Reporting and Investigation of Violations:

The Procurement Manager for Alachua County was contacted and he said that non-compliance with the Living Wage Ordinance is handled on a complaint basis only and is investigated by one person in the EO department. The Procurement Manager said that they have not had to terminate any Contracts because of non-compliance with the Living Wage Ordinance.

If the City Commission adopts a Living Wage ordinance, staff would propose to include a reserve of \$2,500,000.00 in the FY21 budget to provide sufficient funding for operations which may be affected by the ordinance. This includes estimated contractor cost and compliance cost.

This information relates to GRU operations only.

Addendum – 11/9/20: GRU has not incorporated these costs in its FY2021 budget, nor any of its projections. As a result, these additional costs will necessarily require increases in the utility's base rates in FY 2021 and beyond.

Attachments: Living Wage cost impact estimates for 2020 and 2024

cc: Edward Bielarski, General Manger
William Shepherd, Chief Customer Officer
Kristie Williams, Administrative Services Director
James Frampton, Procurement Manager