

Options to Expand Living Wage

City Council Study Session

June 14, 2016

Background

- City adopted Living Wage Resolution 926 in 2003; applied to standard full-time employees
 - City Manager convened working group to study; developed staff recommendations
 - Human Relations Commission held public hearing on Dec. 17, 2015; developed recommendations
 - City Manager Executive Action, effective Feb. 1, 2016 extending Living Wage to standard part-time and temporary employees
 - Recommendations to City Council Feb. 16; staff direction
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Background

- Support City Manager's Executive Action
 - Study three hourly wage rates (\$14.02, \$15.67, \$17.97) across categories of part-time, temporary, seasonal and contractors, including Emergency Medical Services
 - Explore wage negotiations with janitorial and landscape contractors to increase wage rates to \$15.67/ hr., while analyzing feasibility of bringing in-house; and
 - Include:
 - Strategies from other communities
 - Analyze CLIFF effect in the areas that would be impacted by rising wages
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Employee Compensation

City compensation philosophy:

- Performance based organization which reinforces a high performance culture and responsible stewardship of public funds
 - Attract and retain talented, committed employees by compensating in tangible/intangible ways
 - Compensation program maps goals aligned with results and organizational strategy through a performance appraisal system
 - Market rate for salaries, merit increases and salary grades are analyzed annually
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Employee Compensation

Market rate versus indexing:

- A general pay increase was eliminated in 2010 in favor of pay for performance
 - Indexing method tied to Consumer Price Index or other cost of living measure
 - Market pricing now used for job worth based on current labor market
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Employee Compensation

Employee wage analysis:

- Expanded living wage to 68 standard part-time and temporary employees to \$14.02 on February 1, 2016 at a cost of \$172K
 - Expanding 473 seasonal positions' wages to \$14.02 would cost an additional \$1M
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Employee Compensation

- Increasing wages to \$15.67 additional cost:
 - Full-time and part-time standard employees: \$81K
 - Temporary employees: \$53K
 - Seasonal employees: \$1.5M
 - Increasing wages to \$17.97 additional cost:
 - Full-time and part-time standard employees: \$388K
 - Temporary employees: \$175K
 - Seasonal employees: \$2.4M
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In-sourcing Janitorial and Landscape Services

Background:

- 2000/2001 Budget: Increased Privatization was one of three managerial goals
 - ❖ Most efficient, flexible and effective service delivery
 - 2008 Blue Ribbon Commission II – opportunities for further outsourcing to ensure effective and efficient use of public funds
 - The Novak Consulting Group analysis of janitorial and landscape contracts
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Additional Costs for In-Sourcing

	\$14.02	\$15.67	\$17.97	One-Time Cost
Janitorial				
Full-Time Centralized	\$981K	\$1.1M	\$1.3M	\$195K
Part-Time Decentralized	\$2.0M	\$2.2M	\$2.4M	\$183K
Landscape	\$317K	\$343K	\$379K	\$473K

Contracted Services

- 25 of 27 Vendors Contacted Across Various Services
 - Estimated Cost Impact Above Current for **Janitorial and Landscaping only** (including \$80K projected compliance cost)
 - \$14.02 Hourly Rate - \$334K annual cost
 - \$15.67 Hourly Rate - \$473K annual cost
 - \$17.97 Hourly Rate - \$670K annual cost
 - Compliance process based on certified payroll model is acceptable to most
 - Contract with AMR for Emergency Medical Services services may pose other issues
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Additional Estimated Costs

Estimated Ongoing Cost Increases	Potential Minimum Rate of Pay			Estimated One-time Costs
	\$14.02	\$15.67	\$17.97	
Contracts				
Janitorial	\$210,432	\$321,084	\$475,374	\$0
Landscape	\$43,671	\$71,671	\$115,294	\$0
Other Building Maintenance	\$340	\$9,052	\$37,031	\$0
Contract Compliance (1 FTE + NPE)	\$80,000	\$80,000	\$80,000	\$76,500
Subtotal Contracts:	\$334,443	\$481,807	\$707,699	\$76,500
In-Sourcing				
Janitorial				
full-time, centralized model	\$981,303	\$1,121,286	\$1,316,276	\$195,300
part-time, decentralized model	\$2,009,848	\$2,182,315	\$2,422,506	\$183,300
Landscape (Right-of-way Mowing only)	\$317,063	\$342,993	\$379,121	\$473,000
Employees				
Standard full-time and part-time	\$0	\$80,583	\$388,091	
Temporary	\$0	\$52,872	\$175,298	
Seasonal				
total seasonals:	\$1,001,325	\$1,536,534	\$2,389,302	
<i>seasonals excluding summer employment:</i>	\$275,399	\$596,902	\$1,139,874	
Subtotal Employees:	\$1,001,325	\$1,669,989	\$2,952,691	
<i>Subtotal Employees excluding summer employment:</i>	\$275,399	\$730,357	\$1,703,263	

Staff Recommendations

- Options should be considered in the context of the 2017 and beyond budget projections
 - Assess impacts of adding seasonal and including summer jobs in more detail for subsequent years due to significant budget impacts
 - A phased in approach and trade-offs should be identified
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Staff Recommendations (Continued)

- Phase in janitorial and landscaping contract increases: \$14.02 in 2017; considering at least \$15.67 in 2018 and beyond
 - Increase standard full-time (FT), part-time (PT) and temporary (temp) employees (EEs) to at least \$15.67 in 2018
 - Continue current AMR contract through 2017
 - Exclude other government, school district and nonprofit contracts at this time
 - Further assess: seasonal and summer employees, other contracts, EMS in-house services
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Staff Recommendations Estimated Additional Costs

	2017	2018 (ongoing)
Janitorial and Landscaping	\$411K	\$473K
Standard FT, PT and temp EEs	0	\$133K
Total	\$411K	\$606K
Seasonal and Summer EEs		assess

Questions for Council

1. Does council wish to expand Living Wage beyond the current \$14.02 to currently covered employees (standard full-time, part-time, and temporary employees) to either \$15.67 or \$17.97?
 2. Does council wish to expand Living Wage to include seasonal employees? Does council wish to include summer jobs in Living Wage? If yes, at what wage rate?
 3. Does council wish to bring janitorial and landscaping services in-house? If yes, at what wage rate? If no, does council wish to apply a living wage rate to these contracts? If yes, at what wage rate?
 4. Does council wish staff to do further analysis regarding other types of city contracts (other for profit, government, school district, nonprofit) for consideration for future budget years?
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