

Agenda Report

TO: CITY COUNCIL **DATE:** AUGUST 17, 1998
FROM: ACTING CITY MANAGER
SUBJECT: LIVING WAGE - CITY CONTRACTS

RECOMMENDATION

This report is for information only; its purpose is to outline the major features of the proposed ordinance as they relate to city contracts as well as to discuss program administration.

BACKGROUND

In May 1997, the City Council approved, in concept, the adoption of a Living Wage Ordinance. Since that time, members of the Living Wage Coalition, the Pasadena Chamber of Commerce and city staff have been meeting with the Mayor to discuss the issue and to develop to the extent possible, specific proposals covering city labor and services contracts, Economic Development and the City's internal workforce. The proposed Living Wage Ordinance and amendment to the Salary Resolution before the Council this evening represents the culmination of this effort.

If adopted, the Living Wage Ordinance will require that all firms holding city labor or services contracts in excess of \$25,000, pay their employees assigned to the contract no less than \$7.25 per hour with medical benefits equivalent to \$1.25 per hour, or \$8.50 per hour without medical benefits. Staff research, along with research performed by other agencies, indicates that most low-wage contract employees are concentrated in service-type jobs including, janitorial, landscaping, parking, security and general labor. At any given time there are between six (6) and twelve (12) city contracts that are in excess of \$25,000 and involve workers currently earning less than the specified living wage.

The proposed ordinance does not contain an exemption for Contractor employees who are part-time, seasonal or trainees. Exempting such classifications would create an incentive for contractors to evade compliance with the Ordinance. To prevent this the City could mandate that all or a portion of workers be full-time, but such action may be problematic as many impacted jobs such as janitorial work, involve part-time workers. In addition, the lack of exemptions will make monitoring compliance less complex.

The City Attorney's Office has determined that the City's Living Wage Ordinance cannot supercede collective bargaining agreements. As a result the Ordinance would have no impact on contracts being performed by contractors with collective bargaining agreements that set wage and benefit levels less than that established by the Living Wage Ordinance.

Another feature of the proposed Ordinance is the requirement that contractors with labor or services contracts inform their employees assigned to the City's contract who are paid less than twelve dollars (\$12) per hour of their possible right to the federal Earned Income Tax Credit. It should be noted that as suggested in the City Manager's agenda report of June 8th staff will undertake a separate Earned Income Tax Credit Communications Program aimed at informing local residents of the availability of this benefit. Information concerning this effort is attached for reference.

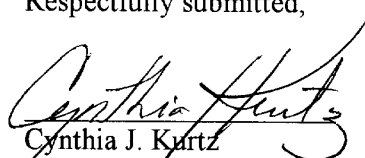
The proposed Ordinance places the primary responsibility for developing rules and regulations as well as monitoring compliance with the Purchasing Administrator. The Purchasing Administrator and the Director of Affirmative Action will work in concert to determine to what extent existing documentation required of contractors to evidence compliance with the City's Affirmative Action in Contracting Ordinance can be used/modified to determine compliance with the Living Wage Ordinance. Furthermore, those departments that issue contracts subject to Living Wage will also be active participants in enforcement and monitoring. As a result of this coordinated effort, no additional staff resources will be required to effectively administer the Ordinance.

In addition, the City has several contracts that are subject to federal and state mandated prevailing wage requirements. Such requirements necessitate that the City verify contractor pay scales much in the same way that the Living Wage Ordinance will. Staff has already begun to examine how the procedures used for monitoring prevailing wage contracts can be applied to monitoring those subject to Living Wage.

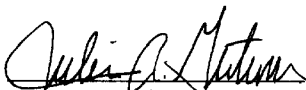
FISCAL IMPACT

Staff has estimated that ultimately the City will incur increased contract costs of approximately \$320,000 annually as a result of the Living Wage Ordinance, but that it would be sometime before the full effect is felt due to the fact that not all contracts will be affected immediately. Only those sent out to bid or amended subsequent to the adoption of the Living Wage Ordinance will be impacted. Staff has estimated the cost to the City in the current fiscal year to be approximately \$168,000 with less than \$100,000 being directed towards the General Fund. The cost of administration will be absorbed into the City's existing operations. And, the cost of the Earned Income Tax Credit Communications Program is estimated to be approximately \$2,700.

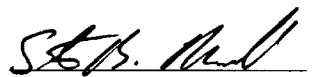
Respectfully submitted,


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