

# Agenda Report

**TO:** CITY COUNCIL

**DATE:** FEBRUARY 7, 2000

**FROM:** CITY MANAGER

**SUBJECT:** LIVING WAGE ORDINANCE – ONE YEAR STATUS

## RECOMMENDATION

The following report is for information only. A one-year status report on the Living Wage Ordinance is required pursuant to Pasadena Municipal Code Section 4.11.060. No City Council action is required.

## BACKGROUND

The Pasadena Living Wage Ordinance became effective September 17, 1998. The Ordinance requires firms providing labor or services to the City, under contracts in excess of \$25,000, to pay those employees assigned to the contract no less than \$7.25 per hour with medical benefits or \$8.50 per hour if no medical benefits are provided.

### **Number of Contracts Impacted**

Although the Living Wage Ordinance applies to a number of contracts, only in those cases where contractors would otherwise pay their employees less than the living wage rate will the Ordinance have a true impact.

An empirical analysis performed for the City of Los Angeles prior to the adoption of its living wage ordinance indicated that persons earning less than the living wage rate were concentrated in relatively few low-skilled, service-type jobs including: janitorial, security, landscaping, food service, parking citations and parking operations. Persons working under other contracts, such as those involving construction trades or technical job classifications tended to be compensated above the living wage rate. These findings are supported by staff's own analysis, which included a salary survey of numerous contractors.

At any given time the City of Pasadena has up to a dozen contracts that predominantly involve service-type jobs. It is these contracts that are most likely to be impacted by the Living Wage Ordinance. And while it is possible that some persons working under non-service-type contracts would otherwise be paid less

than the living wage rate, based on the aforementioned analysis it is reasonable to conclude that any impacts would be negligible.

To date, five pre-existing City contracts have been impacted by the Living Wage Ordinance, resulting in pay increases for contractor employees. These contracts include: Utility Tree Trimming, City-wide Security Services, Hardwood Pruning and Tree and Stump Removal and most recently, operation of City Parking Garages. This relatively small number of contracts is consistent with the experience of other cities that have implemented living wage programs. For example, after the first year of implementation the total number of contracts impacted by Oakland’s ordinance was ten.

Another factor contributing to the relatively small number of contracts affected by the Ordinance is that it does not apply to contracts issued by the Rose Bowl Operating Company or the Pasadena Center Operating Company.

**Associated Contract Cost**

Staff had previously estimated that a living wage program of the type instituted, would increase City contracting costs by approximately \$340,000 annually; But that it would be sometime before this full impact was felt. For Fiscal Year 1998-99, staff estimated that the costs would be approximately \$168,000 with less than \$100,000 being directed towards the General Fund.

In developing these estimates, it was assumed that all additional costs associated with increasing the compensation of contractor employees would be passed along to the City in the form of higher labor rates. And, while it is still anticipated that the City will ultimately bear the costs of the Living Wage Ordinance, because each of these contracts was up for renewal, there existed opportunity to defray some of the costs.

In each case, staff made the willingness of the incumbent contractor to share the costs associated with applying the Living Wage Ordinance a condition of seeking City Council authorization to extend the contracts. In each case the contractors elected to accept a portion of the associated costs rather than risk losing the contract through a competitive bid process. The following tables highlight the results:

<b>Citywide Security Services</b>		
Annual cost of applying Living Wage	\$76,069	As % of total
Portion absorbed by Contractor	\$30,169	40
Portion passed through to City	\$45,900	60

<b>Utility Tree Trimming</b>		
Annual cost of applying Living Wage	\$28,800	As % of total
Portion absorbed by Contractor	\$15,700	55
Portion passed through to City	\$13,100	45

<b>Tree &amp; Stump Removal and Hardwood Pruning – combined – same contractor</b>		
Annual cost of applying Living Wage	\$19,400	As % of total
Portion absorbed by Contractor	\$10,660	55
Portion passed through to City	\$8,740	45

<b>Operation of City Parking Garages</b>		
Annual cost of applying Living Wage	\$56,600	As % of total
Portion absorbed by Contractor	\$22,400	40
Portion passed through to City	\$34,200	60

The above figures illustrate the cost of applying the Living Wage Ordinance on a per contract year basis. Since the first four contracts were amended approximately halfway through the 1998-99 fiscal year, and the contract for operation of the parking garages was approved this current fiscal year, the actual cost impact for FY 1998-99 was cut roughly in half. Therefore, the total additional contract costs passed on to the City in Fiscal Year 1998-99 as a result of Living Wage Ordinance were approximately \$33,800. This total was spread across several funds based on the cost center for each particular contract. In this current fiscal year the Living Wage Ordinance will add approximately \$100,000 to the cost of the services provided for under these five contracts.

The Department of Finance, Purchasing and Payables Division is responsible for administering the Living Wage Ordinance. The Division has been able to absorb this new workload within its existing budget and staffing levels. It should be noted that since the adoption of the Living Wage Ordinance, staff has responded to information requests from several labor organizations as well as numerous cities, including: Berkley, Burbank, Long Beach, San Jose, San Francisco and Tucson, Arizona.

**Number of Contractor Employees Affected**

To date, a total of sixty-one (61) people employed under the aforementioned contracts have received pay increases as a result of the Living Wage Ordinance. Of this total twenty (20) are Pasadena residents.

As additional contracts become subject to the Living Wage Ordinance, the associated costs as well as the number of persons receiving the living wage will increase. The most significant contracts to be impacted in the near future include the City's janitorial services contract; up for renewal in January 2001, and a soon to be issued specification for landscape maintenance covering the needs of the Parks and Natural Resources Division as well as the Water and Power Department.

### **Applying Living Wage to the City Workforce**

During the development of the Living Wage Ordinance, City Council directed staff to develop a list of internal job classifications that should be compensated at no less than living wage level. Staff recommended applying the living wage to all part-time and full-time employees who work for the City on a regular and continuous basis. Adjusting the pay/benefit level for Temporary and Seasonal employees, as well as those working under training programs was not recommended.

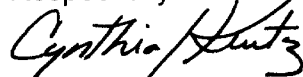
On August 17, 1998 the City Council approved amendments to the Salary Resolution that increased the salary rate for Library Page and Child Care Monitor and added medical benefits for Recreation Leader III and Work Experience Aide. The total number of employees impacted at the time was fifty-five (55) and the associated cost for Fiscal Year 1998-99 was \$121,889.

### FISCAL IMPACT

The total additional contract costs passed on to the City in Fiscal Year 1998-99 as a result of Living Wage Ordinance were approximately \$33,800. This total was spread across several funds based on the cost center for each particular contract. For Fiscal Year 1999-00, the costs are projected to be approximately \$100,000.

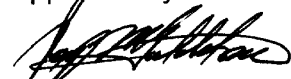
The cost of applying living wage to the City's internal workforce was \$121,889 in Fiscal Year 1998-99. This cost will continue into subsequent fiscal years, with some variation based on the actual number of filled positions within these classifications.

Respectfully submitted,



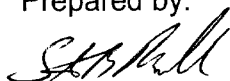
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