

Agenda Report

TO: CITY COUNCIL **DATE:** JUNE 15, 1998
FROM: CITY MANAGER
SUBJECT: IMPACT OF LIVABLE WAGE ORDINANCE ON CITY CONTRACTS

RECOMMENDATION

The following is for information only. No City Council action is being requested at this time. To the extent, however, that additional budget appropriations are necessary to absorb increased contract costs arising from the adoption of a Livable Wage ordinance, staff will return to City Council with appropriate recommendations.

BACKGROUND

On June 8, 1998, the City Council directed the City Attorney to draft a "Livable Wage" ordinance. The ordinance will require firms receiving city labor or services contracts, in excess of \$25,000, to pay their employees assigned to the contract no less than \$7.25 per hour with medical benefits or \$8.50 per hour without benefits.

Last June, staff estimated that a "Livable Wage" ordinance of the type described above would cost the City and additional \$340,000 per year in increased contract costs. In order to provide City Council with the most accurate projections available, staff has reconsidered this analysis.

One of the studies compiled for the City of Los Angeles prior to the adoption of its "living wage" ordinance found that most low-wage contract employees were concentrated in service-type jobs including, landscaping, parking, janitorial, security and general labor. Staff's research, which included a survey sent earlier this calendar year to over twenty-five (25) contractors, indicates Pasadena's experience to be no different. At any given time, there are between six (6) and twelve (12) city contracts that are in excess of \$25,000 and involve the type of contract workers that earn less than the specified "livable wage". Attachment "A" is a current list of these contracts.

It is staff's position that the City will ultimately bear the increased cost associated with requiring contractors to pay "livable wage". This position was outlined in a memorandum to City Council on July 8, 1997 (copy attached). Staff estimates that the application of "livable wage" to those contracts listed in Attachment "A" would cost the


City approximately \$326,000 annually. It should be noted that this estimate does not include contracts issued by the Rose Bowl Operating Company or the Pasadena Center Operating Company. In the event the City waits until current contracts are up for renewal or re-bid to impose the livable wage requirement, as suggested in the Mayor's report on June 8, the estimated cost in fiscal year 1998-99 would be reduced to \$168,000. Of this amount \$40,000 would be charged to the Water Fund for its Landscaping contract and \$10,000 would be charged to the Power Fund for its Tree Trimming contract. In addition, portions of the remaining \$118,000 are for services provided City-wide. As such, it appears that the direct impact on the General Fund for fiscal year 1998-99 will be less than \$100,000.

In an effort to offset the initial costs even further, the Mayor has suggested making extension of any existing contract subject to "livable wage" contingent upon the contractor absorbing all or some of the additional labor expense. This month two of the contracts listed in Attachment "A" will be up for possible extension and another five will be up in fiscal year 1998-99. To the extent that some of these contractors are willing to absorb costs, the \$168,000 figure above would be reduced.

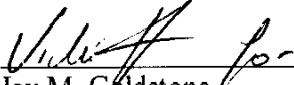
FISCAL IMPACT

The estimated maximum fiscal impact of applying "livable wage" to the contracts listed in Attachment "A" is \$326,000. Applying "livable wage" to contracts as they come up for renewal or re-bid is expected to cost the City \$168,000 in fiscal year 1998-99.

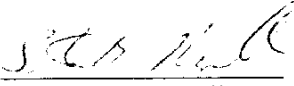
Respectfully submitted,


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