

Memorandum



CITY OF DALLAS

DATE July 31, 2015

TO Honorable Mayor and Members of City Council

SUBJECT "Living Wage" Discussion

On Wednesday, August 5, 2015, the City Council will be briefed on a "Living Wage" Discussion. The briefing is attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink that reads "Jeanne Chipperfield".

Jeanne Chipperfield
Chief Financial Officer

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager



“Living Wage” Discussion

City Council Briefing August 5, 2015

Note: This briefing has been revised with corrected information on slide 13 from the original August 5, 2015 City Council briefing

Purpose

- Present Council with an overview of current practices utilized by the City on labor related contracts
- Provide fiscal impact of mandating minimum wage floor, or “living wage” on City contracts

Definition

- Living Wage - a wage that is high enough to maintain a normal standard of living
- Due to subjective nature of “living wage,” the term “wage floor” is used for this briefing and is assumed to be at \$10.25 per hour adjusted for inflation, as recommended by the Mayor’s Task Force on Poverty in August 2014

Background

- May 2008 – Council directed the removal of all wage requirements (other than Federal minimum wage) from contracts, allowing for the market to establish the contractor’s wages to employees
- August 20, 2014 – Mayor’s Task Force on Poverty recommended a City employee and City contractors’ employee hourly rate of \$10.25 adjusted for inflation
- August, 2014 – City Council FY14-15 budget discussion regarding hourly rate paid to Sanitation temporary employees
- June 8, 2015 – Sanitation labor briefed at Quality of Life
 - Additional cost to hire day laborers estimated to be \$4 million annually – approx. \$1.60 per month impact to Sanitation Residential Fee
 - Discussed creating the opportunity for temporary laborers to become City employees
 - Quality of Life Committee directed staff to proceed with pilot program on June 8, 2015

Background (cont'd)

- June 15, 2015 – Budget, Finance and Audit briefing on security services contract, staff obtained the rate of pay of contract employees for the recommended contract (paid hourly)
 - Data showed 87% of proposed contractors' employees being paid above \$10.62 per hour, the City's minimum wage rate for full-time employees
- June 24, 2015 – Council discussed modifying the Love Field concession contracts to include a “living wage” or wage floor provision
 - Scheduled for consideration on the August 12th, 2015 agenda

Background (cont'd)

- The City has over 80 direct labor, general services and concession/revenue contracts currently in place to serve Dallas' citizens and customers
 - Estimated expenditures over \$100 million annually
- Vendors do not disclose how much they pay their employees on most contracts
 - City contracts a large number of service contracts by the task, not by the hour
 - Difficult to estimate pay rates for employees and estimate the cost implications for an increased wage floor
 - City requires all vendors to pay at least the Federal minimum wage

Background (cont'd)

- Following the Council's direction in 2008 to not specify a wage rate above the Federal minimum, all labor and service contracts bids/proposals were structured to allow the market to determine wages contractors pay their employees and in compliance with labor laws

	Service	Labor	Construction Projects
Allow market to determine wage rates	X	X	
Prevailing wage - Texas Statutes			X
Prevailing wage - Federal Davis-Bacon Act			X

Federal Minimum Wage – History

\$5.15	Prior to July 24 th , 2007
\$5.85	July 24 th , 2007
\$6.55	July 24 th , 2008
\$7.25	July 24 th , 2009

- No change in federal minimum wage since 2009

Categories of Contracts

- There are three primary categories of contracts that have direct and/or indirect labor components
 1. Service/Concession
 2. Labor
 3. Construction Projects

1 – Service/Concession

- Service and concession contracts provide specific service levels to be met by the vendor for a fixed price or a revenue share.
- Although some level of labor is required to perform the task, the City is not provided a breakdown of the labor component of the overall contract cost.
- Examples:
 - Mowing – per acre mowed or per location
 - Armored car service – unit price per pick-up
 - Food and beverage concession, car rental concession – revenue share
 - Grounds maintenance – by facility or location

2 - Labor

- The City requests a hourly billable rate on certain labor-related contracts.
- In all cases, the contractor must pay the employee at least the Federal minimum wage.
- Examples:
 - Security guards
 - Temporary and clerical labor
 - IT temporary staff

3 - Construction Projects

- Texas statutes require any public body awarding any contract for public works to ascertain the general prevailing wage rates which were last adopted by Council on August 22, 2012
- Federal law (Davis-Bacon Act) requires the same on all federally funded projects
- Since state and federal law preempts municipal law, the City has no ability to set another wage rate for construction-related contracts

Fiscal Impact

- To establish a policy to establish a wage floor above the Federal minimum wage for all eligible contracts:
- Applying the 41.4% differential– represented by the difference between the current Federal minimum wage and the \$10.25 rate recommended by the Mayor’s Task Force on Poverty (August 20, 2014)– would cost the City at least an estimated \$12 million annually, based on contracts *assumed* to have employees in the lower end of the pay scale
- Largest labor contract– Sanitation temporary labor– estimated annual cost impact is \$2.5 million
 - Sanitation fee increase of approximately \$1.24 per month
(The estimated annual cost impact of \$4 million is the cost to bring temporary labor workers on as permanent City employees.)
- Other contract increases would need to be addressed through fee/rate increases and/or other budget reductions

Note: this slide has been revised with corrected information from the original August 5, 2015 City Council briefing

Other Considerations

- Establishing wage floor may not achieve goal of increased salaries for Dallas' citizens, if vendors' employees live outside of Dallas
 - City is not permitted to use residency requirement for the payment of a higher wage
- Vendors' ability/desire to allocate time and change pay rates for employees who work on multiple contracts outside of their City of Dallas' contracts may discourage vendors from bidding on contracts or increase the vendors' administrative costs
- City's enforcement of a wage floor may result in additional costs
 - Proactive audits
 - Complaint-driven investigations

Conclusion

- If the City required a minimum wage floor of \$10.25 per hour on its contracts (41.4% above the federal minimum wage), estimated cost increase of at least \$12 million per year
 - Impact on revenue/concession contracts is unknown at this time
- City has no option to remove wage requirements for construction-related contracts due to state and federal statutes