

Memorandum



CITY OF DALLAS

DATE August 28, 2015

TO The Honorable Mayor and Members of the City Council

SUBJECT FY 2015-16 Budget Workshop #9: "Wage Floor" Discussion

On Wednesday, September 2, 2015, the City Council will be briefed on a "Wage Floor" Discussion. The briefing is attached for your review.

Please let me know if you need additional information.


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Chief Financial Officer

c: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
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“Wage Floor” Discussion

City Council Briefing September 2, 2015

Purpose

- Provide available policy options associated with implementing a wage floor
- Present Council with research surrounding wage floors in Texas
- Provide fiscal impact of mandating minimum wage floor, or “living wage” on City contracts
- Provide a potential path forward for Council consideration

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 \$10.37 per hour, as discussed by Council at the August 3, 2015 briefing

What are the City's options?

- Council can establish a wage floor policy on contracts awarded by the City (excluding construction)
 - Request for Bid or Proposal process can be utilized to contract for impacted services (named option 1 throughout remainder of briefing)
- Establish evaluation criteria for proposal that consider vendor's approach to employee pay rates and any other employee considerations legally permissible (named option 2 throughout remainder of briefing)
- Council can encourage private businesses to participate as was suggested by the Mayor's Task Force on Poverty in 2014
- Council can advocate for raising the minimum wage as part of the City's legislative agenda (State/Federal)
- Council cannot implement a wage floor for private businesses in the city of Dallas
 - Tex. Labor Code § 62.0515(a) prohibits the City from establishing a minimum wage in private employment (other than wages under a public contract)

Presented to Council on August 20, 2014 - Take Leadership Role in Minimum Wage



MAYOR'S TASK FORCE ON POVERTY

Detailed Description: Establish a City employee and City of Dallas' contractors' employees hourly rate of \$10.25 per hour adjusted to inflation. Encourage other government and private employers to follow this trend.

WHO'S HELPED BY RAISING THE MINIMUM WAGE?



Note: Statistics describe civilian workers, ages 16+, that would be affected by an increase in the federal minimum wage to \$10.10 over three years, as explained in *Raising the federal minimum wage to \$10.10 would give working families, and the overall economy, a much-needed boost.* The median age of affected workers is 31 years old. Visit epi.org/issues/minimum-wage for more details.

ECONOMIC POLICY INSTITUTE

Wage Floor Pros and Cons

Pros

- Provides workers the opportunity to meet their basic needs
- Increased wages spur economic growth
- Less reliance on government services
- Lower employee turn-over improves service delivery
- Higher wages are associated with greater business investment in employee training, productivity, absenteeism and turnover

Cons

- May limit competition due to increased labor cost; cost increases are passed along to City/citizens
- Increased record-keeping and level of transparency may discourage potential vendors from competing
- Beneficiaries of increased pay may not be Dallas residents

Other Government's Policies

- Researched 10 largest Texas cities, by population:
 - Austin currently utilizes a wage floor on defined direct service contracts
 - Houston, San Antonio, Fort Worth, El Paso, Arlington, Corpus Christi, Plano and Laredo have not implemented a wage floor on contracts
- Bexar County has publicly stated it is implementing a wage floor effective October 1, 2015
 - Contract floor - \$11.47/hr, Employee floor \$13/hr
 - To date, no formal policy or ordinance is publicly available
- City of New Orleans will implement a “living wage” effective January 1, 2016
 - Covers all contracts over \$25k and other city financial assistance projects over \$100k - contract floor - \$10.55/hr

City of Austin's "Living Wage" Policy

- City Council passed a resolution on May 9, 2002
 - Purchasing policy amended in November 2008 to include "living wage" (\$11.39/hr)
- The "living wage" provision applies when all of the following requirements are met. The work:
 - requires labor or work from a similar job classification as a city of Austin employee and the contract employee works 40 hrs. per week;
 - is performed on city property or on city vehicles;
 - is performed on a city contract as a prime contractor; and
 - is for procurement of services that are competitively solicited by the city of Austin;
 - is not a construction project
- Only applies to competitive procurements – Bid and Proposals
 - Emergency and cooperative/inter-local agreements are not applicable

City of Austin's "Living Wage" Policy (cont'd)

- Austin is currently reviewing its resolution to clarify the language such as:
 - Modifying language to include applicable contract employee, sub-contract, part-time and full-time employees
 - Remove the 40 hr week reference
 - Remove requirement of city job classification similar to service contracting
 - Plan to bring revised resolution to council by the end of the calendar year

Option 1 – Establish Wage Floor Policy for Defined Contracts

- Every defined contract would have a minimum hourly wage floor for employees directly assigned to work on City contracts
- Compliance and enforcement would be included in the City's contracting language
- Provides Council with a policy option to directly impact salaries of contract employees

Option 1 - Policy Guidelines

- Policy needs to be written in such a way that:
 - it will be clear to the City's vendors how the wage floor will apply to their contract(s) with the City;
 - it will minimize paperwork/data collection on vendor's part; and
 - the City can ensure compliance with the wage floor

Key Questions

- What type of contracts will be included?
 - Service contracts – recommended
 - Manufactured products (Goods) – not recommended

Key Questions (cont'd)

- Who does wage floor apply to?
 - Recommend wage floor be applied to employees, including sub-contractors, directly assigned to the City's contract
 - Possible definitions of assigned work:
 - “work performed under the contract”
 - “employees who provide the deliverables defined in the contract”

Key Questions (cont'd)

- What level of monitoring and enforcement is expected?
 - Affidavit during contract execution
 - Signage posted at contractor locations
 - City has right to audit payroll upon request – consistent w/Love Field concession
 - Penalties for infraction or non-compliance w/policy is a breach of contract
 - Creation of compliance role within a city department

Key Questions (cont'd)

- What metric/index should the City use to determine the wage floor?
- Massachusetts Institute of Technology (MIT) publishes a living wage calculator by county
 - <http://livingwage.mit.edu/counties/48113>
 - \$10.37 per hour is their calculated 2014 Living Wage for a single adult with no dependents
- U.S. Department of Health and Human Services Federal Poverty Guidelines
 - Published annually
 - \$9.66 per hour is the 2015 Federal poverty guideline for a family of 3
- \$10.37 was discussed and approved by City Council as a wage floor during the recent (August 12th, 2015) airport concession contract amendment

Potential Fiscal Impact

- The estimated fiscal impact presented to Council on August 3, 2015 included the fully burdened impact over a number of years
- Applying the 43.03% differential on the contracts anticipated to be renewed next fiscal year, would cost the City an estimated \$3 million in FY16, based on contracts assumed to have employees in the lower end of the pay scale
 - Impact was calculated using direct service contracts such as janitorial, grounds maintenance and temporary labor contracts
 - The estimated \$12 million dollar increase will be phased in over a five-year fiscal year period as contracts are renewed

	FY 2016	FY2017	FY 2018	FY 2019	FY 2020
Estimated Increase	\$3M	\$11.9M	\$12.2M	\$12.3M	\$12.7M
Estimated Impacted Employee (FTE)*	429	1,704	1,747	1,761	1,818

*Calculated based on the estimated contract increase divided by hourly differential (43.03% + FICA or \$3.358/hr) divided by 2080 (full-time equivalent)

Option 2 – Modify Evaluation Criteria for Proposals

- Create a new criteria to specifically address
 - Dallas Workforce Impact – Evaluated based on the proposers ability to demonstrate their approach to employee pay rates and any other employee considerations legally permissible
 - Will be enforced by contract terms
 - Parameters will need to be established
- City uses a 100 point scale for proposal evaluation purposes today
 - EXAMPLE of sample evaluation criterion
 - 30 points – Cost
 - 30 points – Planned Approach
 - 25 points – Experience and Capabilities
 - 15 points – Business Inclusion and Development
 - ?? Points - Dallas Workforce Impact

Current Labor Contract 90 Day Outlook

- The 90 day outlook is included on the following pages. In summary, we have a total of 11 labor contracts in varying stages as follow:
 - 2 contracts – Advertised to the vending community – OPEN
 - (2)Grounds Maintenance
 - 4 contracts – Evaluation phase - CLOSED
 - Event Set-up - Convention Center
 - Janitorial Services – Convention Center
 - Central Utility Plan Maintenance – Love Field
 - Yard Waste Grinding – Sanitation
 - 5 contracts – Specification development - not advertised to community
 - (4)Grounds Maintenance
 - (1)Janitorial Service

Upcoming Labor Contracts – Advertised/Evaluation Phase

Description	Solicitation Type	Term (years)	Approx. Contract Amount	Status	Billing Structure	Anticipated Council Date	Comments
Grounds, Maintenance - PKR, EBS, AVI	Bid	4	\$3.3M	Advertised	Per location	Nov-Dec 2015	
Grounds, Maintenance - Litter Pickup for Parks	Bid	4	\$8.7M	Advertised	Per location	Nov-Dec 2015	
Event Set-up at Kay Bailey Hutchison Convention Center	Bid	5	\$2.9M	Evaluation	Per Hour	10/14/2015	Bidder stated minimum employee pay \$9/hr
Janitorial Services at Kay Bailey Hutchison Convention Center	Proposal	5	\$22M	Evaluation	Per Hour	10/14/2015	Proposer stated minimum employee pay \$8-9/hr
Central Utility Plant Maintenance for Love Field (to include facility inspections, maintenance and repairs)	Proposal	4	\$0.3M	Evaluation	Monthly Maintenance	10/14/2015	Minimum hourly rates exceeds \$10.37/hr
Yard Waste Grinding	Bid	3	\$1.7M	Evaluation	Finished Product	10/14/2015	Minimum hourly rates exceeds \$10.37/hr

Upcoming Labor Contracts – Specification Development

Description	Solicitation Type	Term (years)	Approx. Contract Amount	Anticipated Advertisement	Billing Structure	Anticipated Council Date
Grounds Maintenance – TXDOT Properties	Bid	3	\$9,000,000	30 days	Per Location	Jan-16
Grounds Maintenance - DPD	Bid	3	\$275,000	30 days	Per Location	Jan-16
Grounds Maintenance - DFD, HOU, STS	Bid	3	\$150,000	60 days	Per Location	Feb-16
Grounds Maintenance/Levees - Hensley Field, SAN	Bid	3	\$1,065,000	60 days	Per Location	Feb-16
Janitorial Service - OCA	Bid	3	\$3,000,000	90 days	Per Location	Mar-16

Proposed Schedule

- September –November 2015
 - Hold stakeholder meetings with both advocacy groups and the vending community to ensure policy goals are viable, measurable and ultimately meet the intended goals of the City Council
 - Provide vendor input to gain consensus on available reporting, compliance requirements and goals
- November-December 2015
 - Take the lessons learned from other agencies, stakeholder input and work with City Attorney's Office on a draft resolution
 - Provide stakeholder input and draft resolution to the Quality of Life Committee for review and recommendations within the next 90 days
 - Intent is to implement wage floor as of January 1, 2016

- Feedback and discussion of options