
**INFORMAL STAFF REPORT
TO MAYOR AND CITY COUNCIL**

SUBJECT:

Research related to requiring City contractors to pay their employees a living wage.

EXECUTIVE SUMMARY:

Texas law allows for cities to adopt requirements for city contractors to pay a living wage and there are a number of cities in Texas that have passed resolutions. These cities have different living wage rates and indexes that are used to calculate the living wage. If City Council decides to proceed this direction, consideration will need to be given to a potential reduction in competition in the solicitation process and staff time required for administration.

BACKGROUND:

A request was made on September 25, 2018 by Council Member Armintor to provide research on other municipalities requiring City contractors to pay their employees a living wage. Generally, a living wage is defined as the minimum income required for workers to meet their basic needs including shelter, clothes, and food. Texas Labor Code 62.0515 allows municipalities to set minimum wages for their employees and impose minimum wage requirements on contractors hired by the City. Texas Law does not allow cities to set a city-wide wage that is higher than the federal minimum wage.

Table 1 includes the Texas cities staff has identified as having adopted legislation related to a living wage. Living wage levels vary by area and are impacted by the cost of living in that area. Cities have different rationale as the basis for setting their living wage legislation. The City of Dallas uses the Massachusetts Institute of Technology's Living Wage Calculator, the City of Austin's wage level has incrementally increased since originally enacted in 2008, and the City of El Paso's wage level was set after the city council's discussion of the budget impact of the increase. The living wage regulations in these areas also vary in the individuals provided a living wage.

City	Individuals Covered	Current Rate
Dallas	City Contractors, City Employees	\$11.15
Austin	City Contractors, City Employees, Chap. 380 Businesses	\$15.00
San Antonio	City Employees	\$14.25
San Marcos	Business receiving economic development incentives	\$15.00
El Paso	City Employees	\$10.00

Table 1. Texas Cities Living Wage Levels

The cities studied enacted living wage legislation to promote an acceptable standard of living and ensure workers were able to meet their basic needs, and determined that most contractors paid their workers at or near the minimum wage. The cities cited studies that indicated employees paid at or near minimum wage affected the quality of their work, and increased turnover and they believed increased compensation would improve the level and quality of services provided to the city.

Table 2 describes the MIT's living wage hourly rate for different family demographics in Denton County. These range from \$3.90 to \$19.36 per hour above the federal minimum wage set at \$7.25 per hour.

# of Adults	1	1	1	2*	2*	2	2
# of Children	0	1	2	1	2	1	2
Living Wage	\$11.15	\$23.54	\$26.61	\$22.19	\$25.04	\$12.60	\$14.78

Table 2. Denton County MIT Living Wage Calculations

*Only one working adult in the family.

DISCUSSION:

City Council does have the ability to set a policy to raise the minimum wage to a living wage for City employees, city contractors' employees, and/or development incentive recipients.

Table 3 describes the minimum impact to the budget if the wages of City employees were increased to the MIT Living Wage level for a single individual with no children and two working parents with a single child. Most employees impacted by this change would be Parks Recreation staff and interns throughout the City. If City Council decided to proceed, further analysis would be necessary to determine if additional adjustments would be required to ensure fairness between the positions at or near the hourly wage.

# of Adults	1	2
# of Children	0	1
Living Wage	\$11.15	\$12.60
No. of Employees Impacted	145	177
Salary Equity Adjustment	\$166,543	\$362,479

Table 3. City Employee Living Wage Impact

Some considerations for the implementation of a resolution to require city contractors to pay a living wage, including:

- The requirement may limit competition due to increased labor cost and those cost increases are passed along to citizens. The City of Dallas estimates the resolution increased the cost of awarded contracts by \$3.1 million in the year following adoption.
- The increased burden on contractors for record-keeping and compliance may discourage potential vendors from competing. For example, Dallas requires an annual report be provided by the contractor showing they have complied with the city's requirement and the city can audit contractors as well.

- There would be increased staff time in auditing the records provided to ensure the contractors comply.
- Without a requirement for contractors to hire locally, the benefits of increased wages may not be Denton residents.
- Generally, cities adopting these resolutions have a larger population than Denton both in Texas and nationally.

This topic will be included in a future Work Session strategy session with City Council if further policy discussion or research is requested.

ATTACHMENT(S):

1. City of Dallas Resolution
2. City of Austin Resolutions

STAFF CONTACT:

Cassey Ogden
Director of Compliance
(940)349-7195
Cassandra.Ogden@cityofdenton.com

November 10, 2015

WHEREAS, the City of Dallas is committed to promoting an acceptable standard of living for working families and individuals in the City; and,

WHEREAS, the economic viability of such families and individuals in the City is necessary to keep Dallas thriving with a strong workforce, healthy families, and improved quality of life; and,

WHEREAS, the City awards many contracts to private firms to provide general services to the public and to City government; and,

WHEREAS, the City has found that the procurement of general services contracts by the City for services performed on City property or within the City of Dallas, such as janitorial, grounds maintenance, mowing, and temporary labor, resulted in wage payments by the service contractors to their employees that were at or just slightly above the federal minimum wage; and,

WHEREAS, studies have shown that paying wage rates at or near the federal minimum wage tends to inhibit the quantity and quality of services rendered by such employees; and,

WHEREAS, economic studies have shown that paying wage rates at or near the federal minimum wage fosters higher turnover, absenteeism and lackluster performance, while paying a "living wage" has raised productivity and decreased turnover which improves the quality of work provided and improves the overall quality of a project; and,

WHEREAS, a study by the Economic Policy Institute has shown that living wage laws have small to moderate effects on municipal budgets; and,

WHEREAS, the City recognizes that the Massachusetts Institute of Technology Living Wage Calculator for Dallas County, Texas, reflects that the current "living wage" for an individual is \$10.37 per hour; and,

WHEREAS, the City recognizes the benefits to the City when its general services contractors provide employee compensation that will improve the level and quality of services rendered to the City.

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That the City Manager, or the Manager's designee, is authorized and directed to develop a procurement process with a wage floor on contracts awarded by the City for general services performed on City property or within the City of Dallas requiring contractors and subcontractors to pay their employees a "living wage" of no less than the "living wage" rate for an individual (currently calculated at \$10.37 per hour), adjusted annually through use of the Massachusetts Institute of Technology Living Wage Calculator, or its successor, for Dallas County, Texas, in order to obtain increased work quality and better services to the City on such City contracts.

Section 2. That the City Manager, or the Manager's designee, is further authorized and directed to implement every fiscal year, without further city council action, the annual "living wage" rate as determined by the Massachusetts Institute of Technology Living Wage Calculator, or its successor, for Dallas County, Texas.

Section 3. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

APPROVED BY
CITY COUNCIL

NOV 10 2015

Eric G. Pineda
City Secretary

RESOLUTION NO. 20141016-035

WHEREAS, the intent of providing a living wage is to ensure that workers are able to meet their basic needs, which may be increasingly difficult if their wages are stagnant as the cost of living continues to increase; and

WHEREAS, the established living wage for the City has been \$11.00 an hour since 2008; and

WHEREAS, Council passed Resolution No. 20140612-067 which called for a determination about the available options to tie the living wage to an index to keep up with the rising cost of living in Austin; and

WHEREAS, as part of the Fiscal Year 2014-15 budget process, City budget staff released a memo that stated there would be no fiscal impact for raising the living wage from \$11.00 to \$11.39 an hour for city employees, consistent with the 3.5% cost of living increase for non-sworn personnel; and

WHEREAS, during the Fiscal Year 2014-15 budget readings, Council set the new living wage rate at \$11.39 an hour for city employees; and

WHEREAS, amending the City's living wage policy to automatically increase each fiscal year by a percentage consistent with the cost of living increase for non-sworn personnel provides a reliable and incremental increase in the City's living wage, while having a minimal impact on the City budget; and

WHEREAS, the City has applied the living wage requirement to regular employees, Purchasing Office contracts eligible for living wage provisions, and companies that enter into Chapter 380 economic development agreements with the City for both construction workers and full-time employees; and

WHEREAS, any increases to the City's living wage rate will automatically apply to future Chapter 380 agreements because the scoring matrix states, "The Firm will ensure that all workers are paid at least the City of Austin's living wage, including full-time employees, contract employees, and construction workers hired for construction work funded by the Firm;" and

WHEREAS, the living wage provision of the City's Purchasing Office Supplemental Purchase Provisions (Purchase Provisions) states that, "The City requires Contractors submitting Offers on this Contract to provide a signed certification with their Offer certifying that all employees directly assigned to this City Contract will be paid a minimum living wage equal to or greater than \$11.00 per hour;" and

WHEREAS, the living wage provision of the Purchase Provisions should be amended to reflect the City's current living wage rate of \$11.39 an hour, and will need to be amended annually to reflect the new living wage rate that results from applying the cost of living index; and

WHEREAS, Resolution No. 20140612-067 called for a living wage study, and the staff response to that resolution provided feedback about what other public entities provide as a living wage, but did not include an in depth analysis of the cost of living in Austin or whether our current living wage rate is sufficient to enable workers to meet their basic needs; and

WHEREAS, several community groups and labor organizations have expressed concern about whether our living wage rate is sufficient, and have expressed interest in participating in a comprehensive process that will analyze the current cost of living in Austin and the impact to the City budget if the rate is increased; and

WHEREAS, Dr. Paul Osterman is an economist and professor of Human Resources and Management at the M.I.T. Sloan School of Management, has authored several books on the importance of quality jobs, is considered a national expert on living wage policies in the United States, and has expressed interest in providing feedback during a stakeholder process as recommendations regarding the City's living wage rate are formulated; and

WHEREAS, staff resources would help a stakeholder group determine any fiscal impact of a change to this policy, how many City employees are under certain wage rates, and potential impacts to City contracts; **NOW, THEREFORE,**

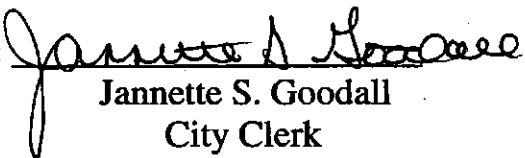
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

A City living wage policy is established that ties the living wage to an index consistent with the cost of living adjustment for non-sworn personnel on an annual basis during the budget process, and directs the City Manager to ensure that the City's Purchasing Office Purchase Provisions are amended to reflect the City's current living wage rate of \$11.39 an hour for solicitations issued after the effective date of this Resolution, and shall be amended annually to reflect the new living wage rate that results from applying the cost of living index.

BE IT FURTHER RESOLVED:

The City Manager is directed to provide staff support for a stakeholder process to develop recommendations regarding the City's living wage rate and policy that should include representation from AFSCME Local 624, Austin Interfaith, Workers Defense Project, Laborers' International Union of North America, IBEW Local Union 520, the Austin Chapter of the Associated General Contractors, Plumbers & Pipefitters Local 286, the Greater Austin Chamber of Commerce, the Greater Austin Hispanic Chamber of Commerce, the Greater Austin Black Chamber of Commerce, the Greater Austin Asian Chamber of Commerce, the Austin Gay and Lesbian Chamber of Commerce, and other interested stakeholders, and should seek input from Dr. Paul Osterman during the process. The stakeholder group shall provide an update regarding the process to Council by December 11, 2014, and provide formal recommendations to City Council no later than March 1, 2015.

ADOPTED: October 16, 2014

ATTEST: 
Jannette S. Goodall
City Clerk

RESOLUTION NO. 20150618-091

WHEREAS, the City Council adopted Resolution No. 20141016-035 establishing a Living Wage Task Force to make recommendations to the Council on a range of living wage rates and indexes; and

WHEREAS, the City has established the minimum wage required for contractor's employees as \$11.39 per hour if those contractor's employees are working on City property or City vehicles, and the contract is competitively solicited by the City; and

WHEREAS, the Living Wage Task Force identified areas where the City's minimum wage for contracts has not been applied, such as for non-construction sub-contractors and construction contractors and sub-contractors, even if those employees are working on City property or City vehicles; **NOW, THEREFORE,**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

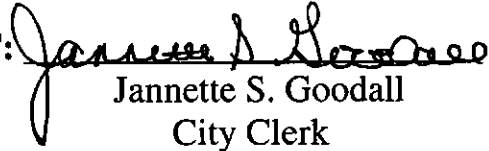
The City Manager shall provide policy options to the Economic Opportunity Committee that would ensure the City's construction and non-construction contractors and sub-contractors are included in the City's living wage policies if their contracts are competitively solicited by the City and if the employees are working on City property or City vehicles;

BE IT FURTHER RESOLVED THAT:

The City Council shall consider the fiscal impact of any such policy changes during deliberations on the fiscal year 2015-2016 budget.

ADOPTED: June 18, 2015

ATTEST:


Jannette S. Goodall
City Clerk

RESOLUTION NO. 20160324-020

WHEREAS, the City has established a minimum wage required for employees of contractors doing business with the City; and

WHEREAS, Resolution No. 20150618-091 directed the City Manager to provide policy options to the Economic Opportunity Committee to ensure the City's construction and non-construction contractors and sub-contractors are included in the City's living wage policies if their contracts are competitively solicited by the City and if the employees are working on City property or City vehicles; and

WHEREAS, the Purchasing Officer provided living wage policy options at the December 14, 2015 Economic Opportunity Committee meeting; and

WHEREAS, the Committee voted to move the policy options forward to the City Council as recommendations for a living wage policy; **NOW, THEREFORE**,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

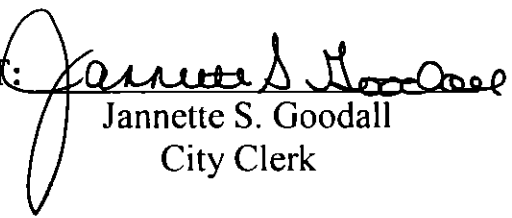
The City adopts a Living Wage Policy for non-construction related procurement solicitations as follows:

1. The City's living wage applies to contracts competitively and formally solicited by the City, and subject to award by the City Council, except as may be preempted by other applicable law or agreement;
2. The City's living wage applies to all work solicited to be performed on City property or on City vehicles; and
3. The City's living wage applies to all prime contractors and all subcontractors on a City contract.

BE IT FURTHER RESOLVED:

That the City Manager is directed to promulgate rules for the implementation of the Living Wage Policy described herein to ensure the City's minimum wage requirements are included in all solicitations subject to this resolution after the effective date of this Resolution, except as may otherwise be preempted.

ADOPTED: March 24, 2016

ATTEST: 
Jannette S. Goodall
City Clerk