

Memorandum



CITY OF DALLAS

DATE September 11, 2015

TO The Honorable Mayor and Members of the City Council

SUBJECT "Wage Floor" Discussion

On Wednesday, September 16, 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.


Jeanne Chipperfield
Chief Financial Officer

Attachment

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



“Wage Floor” Discussion

City Council Briefing September 16, 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 5, 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**
- **Option 2- Modify Evaluation Criteria for Proposals**

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
 - 25 points – Planned Approach
 - 25 points – Experience and Capabilities
 - 15 points – Business Inclusion and Development
 - **5 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 - Option 1

- 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

Proposed Schedule - Option 2

- October 2015
 - Bring draft resolution to Quality of Life Committee with recommended types of contracts and estimated dollar threshold (over a certain dollar amount)
- November 2015
 - Resolution approval and implement new evaluation criteria

- Feedback and discussion of options