



REPORT TO COUNCIL **33**

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Staff Report
October 10, 2006

**Honorable Mayor and
Members of the City Council**

Title: ANNUAL REPORT ON LIVING WAGE ORDINANCE (LWO)

Location/Council District: Citywide

Recommendation: Receive and file

Contact: Christopher Stewart, Procurement Services Manager 808-6202

Presenters: Christopher Stewart, Procurement Manager

Department: Finance

Division: Procurement Services

Organization No: 1181

Description/Analysis

Issue: This report provides a review of the administration of the second year (March 2005 – March 2006) of the Living Wage Program. Updated rates for 2006 are \$9.67 per hour if health benefits are provided and \$11.17 per hour if health benefits are not provided.

Policy Considerations: The intent of the Living Wage program is consistent with Mayor and City Council goals to promote and support economic vitality.

Environmental Considerations: None

Rationale for Recommendation: Receive and File

Financial Considerations: None

Emerging Small Business Development (ESBD): None

Respectfully Submitted by: Tina Lee-Vogt for
Christopher Stewart
Procurement Manager

Approved by: Russell Fehr
Russell Fehr
Finance Director

Recommendation Approved:

Ray Kerridge
Ray Kerridge
City Manager

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BACKGROUND

Living Wage Program

In December 2003, the City Council enacted a Living Wage Ordinance (LWO), which became effective March 1, 2004. The intent of the LWO is to ensure that employees of businesses contracting with the City to provide non-professional services are paid a wage that includes health-care benefits, and enables the employees and their families to meet basic needs and avoid economic hardship. In accordance with the City Code, the annual rate is reviewed and adjusted based on the consumer price index for all urban consumers in the San Francisco/Oakland/San Jose area.

The Living Wage Ordinance (LWO) applies to:

- a contract for non-professional services with a value of \$100,000 or more when the service provider has 25 or more full or part-time employees
- the aggregate value of City contracts awarded to a non-professional services provider within a 12 month period that exceeds \$100,000 or more when the service provider has 25 or more full or part-time employees
- City of Sacramento career employees

The LWO does not apply to:

- Not-for-profit corporations with less than 100 employees
- Contracts for, or providers of, professional services, goods or commodities
- Student internships and specialized training programs
- Emergency services as deemed necessary by the City Manager
- Non-career and seasonal City employees
- Contracts governed by state or city prevailing wages

LWO IMPLEMENTATION AND RESULTS

The following is a list of the actions completed by the Procurement Division to implement the Living Wage Program and the results of its second year of operation, from March 2005 – March 2006:

- Updated the rates for 2006 and provided notice of rate changes to City staff and contractors. The rates for 2006 are \$9.67 per hour if health benefits are provided and \$11.17 per hour if health benefits are not provided.
- Incorporated LWO requirements in City's *Landscape Maintenance General Specifications and Provisions* used in over 30 contracts annually.
- Conducted outreach and notified vendors of LWO requirements.
- Contracted with the Sacramento Metro Chamber and Community Services Planning Council to deploy the Direct Connect Program.
- Provided training to City staff to explain program requirements.
- Audited 55 vendors for compliance with LWO. All were in compliance.
- Received no complaints from City contractors related to this program.

Additionally, staff surveyed City vendors to determine how the City's LWO requirement

may have impacted their operations with the City. The survey requested that vendors respond to questions regarding increased hourly wages paid to employees, the number of workers the company employed, and whether the way it conducted business with the City had in any other way been affected by the LWO requirements. Of the 55 vendors identified as having received over \$100,000 in City contracts, 34 responses (representing a 62% return rate) were received. Most indicated that they had neither increased the hourly wage nor decreased the number of employees. However, some responded that they had either: increased hourly wages paid to employees as a result of the LWO, but had not decreased the number of workers employed; or specifically commented that there had been "no change" and that they already pay employees more than the City (LWO)."

In summary, using the results of the survey and actions completed to administer program requirements as indicators, the intended objectives outlined for the second year of the program were accomplished. More detailed information pertaining to the Direct Connect Program will be presented to Council at a later date. Staff anticipates a report from the Sacramento Metro Chamber and the Community Services Planning Council that will outline last year's accomplishments and cost allocations, as well as this year's projections for implementation, deployment cost and program objectives.

