

MEMORANDUM

TO: Mayor and Town Council

FROM: Roger L. Stancil, Town Manager

SUBJECT: Response to Orange County Organizing Committee's Living Wage Policy Proposal

DATE: June 8, 2009

PURPOSE

The purpose of this memorandum is to provide my recommendation about the Orange County Organizing Committee's living wage policy proposal.

BACKGROUND

The attached staff memorandum includes follow-up information about the Orange County Organizing Committee's living wage policy proposal as well as a resolution for Council consideration that would adopt a living wage policy for the Town of Chapel Hill.

DISCUSSION

As part of my FY 2009-10 budget message to the Council, I discussed our efforts to maintain core service levels and compensation plan elements that help to retain experienced employees in the upcoming fiscal year. As mentioned in the budget message, the Town compensation plan strives to maintain compensation that is competitive and continues to attract and retain quality Town employees, based on prevailing wages and benefits in the Triangle labor market. The keystone of this strategy is maintaining highly competitive employee benefits.

Our conversations with employees and prospective employees suggest that the Town's benefit levels are an important recruiting and retention tool. For instance, unlike many of our surrounding communities, we have not decreased benefit levels in response to health care cost inflation.

It is in this context that I support the establishment of a living wage policy for the Town with a living wage rate of \$11.06 for all 37.5- and 40-hour per week full time employees. This is the amount that was calculated by the staff following the Orange County Organizing Committee's original methodology. Although \$11.06 is lower than the Town's actual lowest wage rate, the amount would be the highest hourly living wage rate of our surrounding jurisdictions. We believe that \$11.06 per hour combined with the Town's high quality benefits creates a total compensation package that continues to be competitive.

In light of this year's difficult budget circumstances, I believe the living wage rate of \$11.06 is a good starting place for the Town's living wage policy. At this time, I am concerned about how the policy could be perceived by our Town employees who are not receiving a cost of living raise and who will absorb an increase to their health benefit costs in their current wages. It is possible that an adjustment to the Town's compensation package that focuses exclusively on the lowest end of the wage scale could damage morale for those employees who have served the Town for many years.

Moving forward, I recommend that the Council review the amount of the living wage rate on an annual basis as part of the Town's budget development process. An evaluation of the living wage rate could be provided to the Council in January of each year in order to incorporate any changes to the rate early in the budget development process.

Regarding the application of the living wage policy to the firefighters who work a 56-hour work week and the solid waste personnel who work on the task system, I provide you with information and feedback from the Town's Fire Chief and Director of Public Works. Please see Attachments 2 and 3 to the staff memorandum for their memorandums regarding the proposed living wage policy.

I do not recommend the application of the living wage policy to the firefighter or solid waste collection personnel. I believe these positions have a unique schedule and compensation structure and do not conform to the Orange County Organizing Committee's living wage proposal that is based on a standard 40-hour work week.

RECOMMENDATION

That the Council adopt the attached resolution to establish a living wage policy for the Town at \$11.06 per hour for all standard 37.5- and 40-hour per week full time employees.

I also recommend that the Council review the living wage rate on an annual basis as part of the Town's budget development process.