

MEMORANDUM

TO: Roger L. Stancil, Town Manager

FROM: Rae Buckley, Housing and Neighborhood Services Senior Planner
Loryn Clark, Housing and Neighborhood Services Manager
CoCo Hall, Purchasing and Contracts Manager
Amy Oland, Accounting Manager

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

DATE: June 8, 2009

PURPOSE

Adoption of the attached resolution would establish a living wage policy for the Town of Chapel Hill that would set a living wage rate of \$11.06 per hour for all standard 37.5- and 40-hour per week full time employees.

BACKGROUND

At a May 13, 2009 Budget Work Session, the Council received an informational staff report responding to the Orange County Organizing Committee's living wage policy proposal. Please see Attachment 1 for this report. At that meeting, Council members requested more information about the policy as well as a resolution for consideration that would adopt a living wage policy for the Town of Chapel Hill.

ISSUES RAISED

There were four issues raised by Council members during the Budget Work Session about the Orange County Organizing Committee's living wage policy proposal. These issues are addressed here:

1. Affected Positions: Council members asked for information about the distinction between the positions that could be affected by the proposed living wage policy.

Staff Response: The original Orange County Organizing Committee's living wage proposal cited 49 employees who earned less than \$13.00. Below, we present the position classifications for these employees:

Position Title	Number of Positions	Hours Per Week	Paid Hours Per Week
Firefighter, Level 1 & Master	34	Varies	56
Solid Waste Collector	5	Varies	40
Transit Operator I and Service Attendant	5	40	40
Construction Worker I and II	4	40	40
Lifeguard	1	40	40
Total Positions	49		

Within the Town's position and classification pay plan, most full time employees work between 37.5 and 40 hours per week. However there are two exceptions to this schedule for the employee's identified by the Orange County Organizing Committee.

- Firefighter positions: Firefighters work nine or ten 24-hour shifts per 28 days, or 2,912 hours per year. This schedule has been calculated to be a 56-hour work week. Please see Attachment 2 for a memorandum from the Fire Chief regarding the Firefighters shift work schedule.
- Solid waste personnel: Employees within the solid waste program work under a "task system" that allows crew members to leave work when they complete collection routes and/or assignments. The employees are paid on a 40-hour per week basis regardless of how many hours it takes to finish the solid waste collection tasks. Please see Attachment 3 for a memorandum from the Public Works Director regarding the task system for solid waste personnel.

Since the Orange County Organizing Committee's living wage proposal was based on a standard 40-hour work week, we would not consider the living wage policy to be applicable to these positions.

2. Transportation: Council members asked for clarification about the reason behind excluding the cost of transportation in the proposed living wage rate.

Staff Response: When the Orange County Organizing Committee met with Town staff in April, they proposed a living wage rate based on the North Carolina Justice Center Living Income Standard rate for Orange County of \$17.73 per hour.

The Orange County Organizing Committee proposed a living wage rate of \$13.00 per hour based on a methodology that reduced the \$17.73 rate by a) the cost of transportation assuming that an employee living in Chapel Hill would be able to use the fare-free transit system; b) the cost of healthcare because of the Town's benefits package; and c) the group's estimate of other Town financial benefits.

The staff response memorandum provided a comparison to the Orange County Organizing Committee's proposal that followed the methodology for transportation costs and provided the actual costs of the Town's benefits for full time employees. This comparison is provided below:

	Original OCOC Methodology	Town Comparison
NC Justice Center Living Income Standard	\$17.73	\$17.73
Subtract Transportation	\$1.28	\$1.28
Subtract Health	\$2.76	\$3.96
Subtract Estimate of Town Benefits	\$0.69	
Subtract Actual Town Benefits		\$1.43
	\$13.00	\$11.06

Since then, the Orange County Organizing Committee has stated that they no longer support a methodology that reduces the North Carolina Justice Center Living Income Standard by the cost of transportation because the wage rate of \$11.06 derived by the staff comparison would not allow a two person family (one adult, one child) to live in Chapel Hill. If a family cannot live in Chapel Hill, the group felt that they would not be able to avail themselves of the fare-free transit system and would have to pay for their own transportation.

At the May 13, 2009 Budget Work Session, the Orange County Organizing Committee proposed a living wage rate of \$12.34 per hour that added the cost of transportation to the staff comparison wage rate of \$11.06 per hour.

3. \$12.34 per Hour Budgetary Impact: The Council asked the staff to provide the FY 2009-2010 budgetary impact of the May 13, 2009 Orange County Organizing Committee's living wage rate proposal of \$12.34 per hour.

Staff Response: Below, we provide the budgetary impact of salary and benefits for a proposed living wage of \$12.34 for employees that currently earn less than \$12.34 per hour. We provide the budgetary impact including and excluding the 56-hour per week firefighters and the task system solid waste collection personnel.

We note that the budgetary impact is much less than the proposed \$13.00 per hour because fewer employees would be affected and the difference between the affected employee's salaries and \$12.34 is less than the difference between the affected employee's salaries and \$13.00. Please see Attachment 4 for a description of this analysis.

Hours per week	Number of Employees	Budget Impact
56 and 40 hours per week (including firefighter and solid waste collection personnel)	30	\$55,451
40 hours per week (<u>not</u> including firefighter and solid waste collection personnel)	2	\$2,028

4. FY 2009-2010 Budgetary Impact: The Council asked for feedback about how potential budgetary impacts resulting from the establishment of a living wage policy could be absorbed into the Manager's proposed budget for FY 2009-2010.

Staff Response: The attached resolution would 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 and would not result in a FY 2009-2010 budgetary impact.

The Manager's Recommended Budget for FY 2009-2010 is currently balanced without any additional costs associated with a living wage. If the Council is interested in establishing a living wage policy with a budgetary impact, the following adjustments could be made to the FY 2009-2010 budget:

- a. Reducing budgeted expenditures in other areas
- b. Increasing the revenue estimates above the levels currently believed to be appropriate
- c. Taking a larger appropriation from the fund balance
- d. Relying on lapsed salaries in affected departments to cover the cost difference (this could be problematic due to the cuts made in departmental budgets to get to a zero increase)

DISCUSSION

We continue to recommend 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. We believe that the Town's compensation package of both wages and benefits exceeds the value of the Orange County Organizing Committee's living wage proposals of either \$13.00 or \$12.34 per hour.

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

In addition, we do not recommend an index of automatic living wage increases. Since the employee pay plan is evaluated on an annual basis by the Council, we believe a living wage should be evaluated on an annual basis as part of the employee pay plan.

RECOMMENDATION

We recommend 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.

ATTACHMENTS

1. April 24, 2009, Response to Orange County Organizing Committee's Living Wage Policy Proposal
2. May 21, 2009, Explanation of Firefighters Shift Work Schedule in Context of Living Wage Discussion
3. May 21, 2009, Task System for Solid Waste Personnel

4. 2009-2010 Budgetary Impact \$12.34 per Hour Living Wage.
5. Employee Forum Memorandum

A RESOLUTION TO ESTABLISH A LIVING WAGE POLICY FOR THE TOWN OF CHAPEL HILL (2009-06-08/R-)

WHEREAS, it is the purpose of this resolution to establish an hourly wage rate for full time Town employees that would provide the option for employees to live within the Town of Chapel Hill; and,

WHEREAS, the establishment of a living wage for Town employees is consistent with other Town programs and policies that address the employment and housing needs of low and moderate income persons;

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that standard full-time employees of the Town shall be paid a minimum living wage rate of \$11.06 per hour; and,

BE IT FURTHER RESOLVED that a standard full-time employee is defined as an employee working between 37.5 and 40 hours per week and not paid based on a task system; and,

BE IT FURTHER RESOLVED that the Council review the living wage rate on an annual basis as part of the Town's budget development process; and,

BE IT FURTHER RESOLVED that the minimum living wage rate of \$11.06 per hour become effective as of July 1, 2009.

This the 8th day of June, 2009.