

MEMORANDUM

TO: Roger L. Stancil, Town Manager

FROM: Kenneth C. Pennoyer, Business Management Director
Valerie Meicher, Human Resource Development Director
Rae Buckley, Housing and Neighborhood Services Senior Planner

SUBJECT: Town of Chapel Hill Living Wage Policy Report

DATE: January 25, 2010

PURPOSE

The purpose of this report is to provide background information about the Town's living wage policy as well as methodologies for adjusting the living wage rate for Council consideration during the 2010-2011 budget development process.

We recommend that the Council adopt the attached resolution to establish a living wage policy for all standard 37.5- and 40-hour per week full time employees of the Town with a wage rate that shall be defined as a rate of not less than seven and one-half percent (7.5%) above the Federal Poverty Guidelines, as defined by the Bureau of Census, for a family of four. We recommend that this adjustment be calculated on an annual basis and incorporated into the Town's pay plan as part of the annual budget process.

BACKGROUND

On June 8, 2009 the Council adopted a resolution to establish a living wage policy for the Town of Chapel Hill with a living wage rate of \$11.06 per hour for all standard 37.5- and 40-hour per week full time employees of the Town.

The living wage rate of \$11.06 was based on the North Carolina Justice Center (NCJC) Living Income Standard rate for Orange County which represents an estimate of the costs for a two person household (one adult/one child) for housing, food, childcare, health care, transportation, other necessities, and taxes. For Orange County, the NCJC Living Income Standard rate is \$17.73 per hour for a 40-hour work week.

The NCJC rate was adjusted to the rate of \$11.06 to reflect the financial value of the Town's fare free bus system and the cost of the non-wage benefits that the Town provides its employees.

The living wage policy does not include a provision to automatically increase the living wage rate. Instead, the living wage policy states that the Council will review the living wage rate on an annual basis as part of the Town's budget development process.

LOCAL COMPARISONS

Below, we present information about the living wage rates of local entities surrounding Chapel Hill.

Table 1: Living Wage Policy Local Comparisons

	Date of Enactment	2008-2009 Living Wage Rate	2009-2010 Living Wage Rate	Living Wage Rate Adjustment Methodology
Town of Chapel Hill	2009		\$11.06	Reviewed on an annual basis during the budget development process.
Durham County	2004	\$10.95	\$11.40	Automatic 7.5% above the Federal Poverty Guidelines for a family of four.
City of Durham	1998	\$10.95	\$11.40	Automatic 7.5% above the Federal Poverty Guidelines for a family of four.
Durham County Board of Education	2004	\$10.95	\$11.40	Automatic 7.5% above the Federal Poverty Guidelines for a family of four.
Orange County	1998	\$10.12	\$10.12	Reviewed on an annual basis during the budget development process.
Town of Carrboro	2001	\$10.12	\$10.12	Reviewed on an annual basis during the budget development process.

ADJUSTMENT METHODOLOGIES

Since the Town's living wage policy does not include a provision to automatically increase the living wage rate, we provide the following rate adjustment methodologies for consideration.

1. Federal Poverty Level: In the past, the local entities listed in the chart above have used the Federal Poverty Guidelines for a family of four, as defined by the Census Bureau, as a basis for their living wage rate.
 - (a) *Orange County* and the *Town of Carrboro* review their living wage rates on an annual basis as part of the budget process. In the past, increases to living wage rates have been set using the Federal poverty level for a family of four with an adjustment for the Raleigh-Durham Region cost of living index.
 - (b) *Durham County*, the *City of Durham*, and the *Durham County Board of Education* automatically increase their living wage rates to seven and a half (7.5) percent above the Federal poverty level for a family of four.

2. Consumer Price Index: The United States Bureau of Labor Statistics produces an annual Consumer Price Index that represents changes in prices of all goods and services purchased for consumption by urban households. The percentage change in the Consumer Price Index could be used as a basis for adjustments to the living wage rate.

Below, we present the Consumer Price Index percentage changes for the years 2002-2008 as well as the 2009 percentage change that is based on a twelve month average between November 2008 and November 2009.

Table 2: Consumer Price Index Annual Percent Changes

2002	2003	2004	2005	2006	2007	2008	2009 (11/2008-11/2009)
2.4%	1.9%	3.3%	3.4%	2.5%	4.1%	0.1%	1.8%

BUDGET IMPACT

Currently, the lowest hourly wage rate for a full time employee of the Town of Chapel Hill is \$12.15. Below, we provide the financial impact of applying the methodologies described above to the Town's current living wage rate of \$11.06. Since 2009 data is not yet available, we present adjusted rates based on the data from 2008.

Table 3: Budget Impact of Adjustment Methodologies

Adjustment Methodology (described above)	Adjusted Rate (using 2008 data)	Affected positions	Budget Impact
1. (a) Federal Poverty Level plus 7.5%	\$11.40	No affected positions	No budget impact
1. (b) Federal Poverty Level adjusted for Raleigh Durham cost of living index	\$10.73	No affected positions	No budget impact
2. Current living wage rate adjusted for Consumer Price Index	\$11.26	No affected positions	No budget impact

RECOMMENDATION

We recommend that the Council adopt the attached resolution to establish a living wage policy for all standard 37.5- and 40-hour per week full time employees of the Town with a wage rate that shall be defined as a rate of not less than seven and one-half percent (7.5%) above the Federal Poverty Guidelines, as defined by the Bureau of Census, for a family of four. We recommend that this adjustment be calculated on an annual basis and incorporated into the Town's pay plan as part of the annual budget process.

We support this adjustment methodology because it is based on guidelines set by the Bureau of Census, which we believe to be a credible data source, and because it is consistent with the living wage rates of local entities surrounding Chapel Hill.