



County of Santa Cruz

COUNTY ADMINISTRATIVE OFFICE

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SUSAN A. MAURIELLO, J.D., COUNTY ADMINISTRATIVE OFFICER

April 16, 2002

AGENDA: April 23, 2002

BOARD OF SUPERVISORS
County of Santa Cruz
701 Ocean St.
Santa Cruz, California 95060

Living Wage Status Report

Dear Members of the Board:

On December 11, 2002, your Board approved the Living Wage ordinance which required private vendors contracting with the County for certain services to pay employees \$11 per hour with benefits or \$12 per hour without benefits. In addition, your Board directed staff to meet with the Coalition for a Living Wage after the effective date of the ordinance to discuss and review ordinance implementation issues, and consult with the Coalition and the Human Care Alliance on the a potential applicability of the ordinance to non-profit agencies. The Board also requested that staff prepare a progress report to your Board for the April 23rd agenda.

On April 9, 2002, a meeting was held with County staff (including representatives from the County Administrative Office, Human Resources Agency (HRA) and the General Services Department (GSD) and members of the Living Wage Coalition and the Human Care Alliance to address both on-going implementation issues as well as the potential future applicability of the living wage program to non-profit agencies. This report addresses the status of both these issues.

Ordinance Implementation

The Living Wage ordinance became effective on January 11, 2002. Implementation has been managed by the General Services Department. GSD staff review on a daily basis all new purchase orders and services contracts for living wage compliance issues. The County Counsel's Office is also involved in living wage compliance review of contracts for services over \$15,000 which go directly to your Board as part of the contract approval process. GSD staff has also consulted on a daily basis with departments and contractors in order to answer questions and clarify compliance issues.

GSD has prepared and distributed a packet of living wage information to all departments in order *to* facilitate implementation of the program. This information includes a copy of the ordinance, a summary of the ordinance's key provisions, procedures and flow charts that depict how departments are to administratively comply with the ordinance, information to be provided to potential contractors including a summary of program requirements and the Living Wage Compliance Statement, and the Living Wage Complaint

Procedures. With the assistance of the Information Services Department, these materials have been placed on the County Intranet in order to provide for easy departmental access to this information. General Services has also compiled a data base of contracts/contractors in order to track cumulative dollar amounts of contracts in order to determine progress toward the \$15,000 living wage threshold amount. This information is also available on the Intranet in order to allow departments to monitor these cumulative totals and to determine if future contracts will trigger the living wage threshold.

As you know, the ordinance only applies to contractors who have entered into new contracts with the County after January 11, 2002 and have a cumulative contract amount greater than \$15,000. As a result, because most existing County contracts were approved prior to the effective date of the ordinance, GSD indicates that there are only two contracts subject to the requirements. Both of these contractors have certified that they are in compliance with the ordinance. The bulk of the implementation issues will arise next fiscal year.

In preparation for entering into new contracts for FY 2002-03, GSD has been proactively contacting current County contractors in order to provide them with information on the Living Wage program and to obtain compliance certification statements from them. Two mailings to contractors have been conducted with follow-up telephone calls to encourage private vendors to respond and to submit compliance statements. GSD continues to screen departmental purchase order renewals for FY 2002-03 in order to identify any contractors who have not yet been contacted. As potential service areas are identified which require compliance with the ordinance, appropriate procurement strategies are developed, up to and including the issuance of requests for proposals in order to identify and select contractors in compliance with the program.

GSD has begun to receive information back from current contractors who departments may wish to contract with for County services during the 2002-03 fiscal year. To date, GSD has received responses from 26 current contractors. While all 26 contractors are currently not subject to the ordinance for various reasons, most notably that the contract was entered into prior to the effective date of the ordinance and/or it does not meet the threshold requirements or number of employees. Nineteen (19) companies have indicated that they currently meet the living wage requirements, which suggests that no changes to program operations would be needed to ensure program compliance. Seven (7) companies indicated that they currently do not meet the requirements. GSD staff will work with the departments to take all necessary steps to ensure program compliance for all contractors subject to the ordinance in 2002-03. One current County services' contractor has formally requested an exemption from the Living Wage program for the 2002-03 fiscal year. Staff are currently reviewing this exemption request and will be forwarding a recommendation on this request to your Board for action in the near future.

Given that the program will not be fully implemented until next fiscal year, it is too early at this time to provide an in-depth analysis of any positive and/or negative effects of the Living Wage Program on County services contracting, on any increased costs to the county, and local employee wage gains.

Issues

At the April 9th meeting, a number of operational issues were discussed concerning the exemption process, County monitoring efforts and employee notification. In response to these concerns, GSD has indicated to the Coalition that they are planning to take the following initiatives: 1) the Coalition would be notified about exemption requests as the requests are received by the County; 2) as part of GSD's monitoring

program, there will be random sampling of contractors payroll records to ensure program compliance; and 3) that GSD will make available to contractors a standardized notice in both English and Spanish to make available to contractors to post on job sites in order to facilitate employer's compliance requirements under Section 2.122.100 of the ordinance.

We also discussed the provision in the ordinance that requires a report be presented to your Board on an annual basis. It is anticipated that the annual report will include pertinent information concerning the contracts subject to the Living Wage ordinance, exemptions requested by contractors and exemptions granted by your Board, in addition to information provided by the contractors concerning the number of employees covered by the Living Wage program. Both the Coalition and the County agreed that it would be productive to convene regular meetings to address implementation issues during the programs first full year of operation. The Coalition was supportive of all of these efforts.

Additionally, at the April 9th meeting, the Coalition requested that your Board upwardly adjust the Living Wage standard by \$ \$ 0 per hour. This adjustment recommended by the Coalition would provide for the County ordinance to be consistent with the Santa Cruz City Council's recent decision to increase the living wage to \$11.50 per hour without benefits and \$12.50 per hour with benefits.

Section 2.122.020(b) of the Ordinance provides for a mechanism for your Board to adjust the living wage:

The "living wage" to be paid to employees pursuant to the requirements of this Chapter shall be a minimum hourly wage of \$11.00 with employer sponsored benefits or \$12.00 without employer sponsored benefits, until adjusted by further action of the Board of Supervisors annually after consideration of the annual cost of living increase as measured by the San Francisco-Oakland-San Jose area Consumer Price Index. Any adjustments made to the minimum hourly wage shall become effective the following July 1st.

It is worth noting that the annual CPI increase reported by the US Department of Labor for the most recently reported time period (February 2002) for the San Francisco-Oakland-San Jose area is 1.8 %.

While there are advantages to adjusting the Living Wage to comply with the Santa Cruz City program requirement, there are a number of issues staff believes your Board should consider prior to adopting a change in the hourly rate.

As noted above, it is important to allow for the program to be fully implemented prior to making program adjustments. The City's program was in place for more than a year before the living wage hourly rate was adjusted. The full impact of the program will be experienced in the coming fiscal year, and as previously mentioned, GSD has already provided notice to 2001-02 contractors who, due to contract amendments or new contracts entered into during the balance of this fiscal year, may meet the \$15,000 threshold and become subject to the ordinance before the end of this fiscal year. (A list of contractors notified by GSD is included as Attachment 1)

Making an adjustment to the hourly wage at this date would require re-notification and re-certification of the vendors. Additionally, implementation for one full year will allow County staff to present a comprehensive evaluation of the impact of this ordinance. This evaluation would include addressing issues such as the

whether additional County Costs were incurred, the number of contracts lost as a result of the implementation of the ordinance, exemption requests and other issues that may arise in the course of the County's monitoring efforts. As a result of these factors, staff believes that these wide range of issues should be better understood prior to making an adjustment in the living wage hourly rate.

While the Santa Cruz City Council has approved increases to the living wage standards, the other cities in the County have not adopted a living wage program thus far, though the Coalition has indicated that there are efforts underway in Watsonville to advocate for a program based on the City and County ordinances. Notwithstanding these considerations, the Coalition strongly supports your Board adjusting the hourly wage by \$50 per hour to coincide with the City's living wage standard.

Potential Future Applicability to Non-Profit Agencies

At the April 9th meeting with the Coalition and the Human Care Alliance, there was a general discussion about the potential future applicability of the living wage program to non-profit agencies. Given the County's fiscal situation in light of the passage of Measure L and the repeal of the utility tax, it was discussed that current fiscal limitations impact the implementation of future phases of the living wage program, including the application of a living wage requirement for non-profit organizations. In consideration of the continued commitment on the part of your Board to address living wage issues, and in light of the proposed budget reductions affecting non-profit agencies, both the Human Care Alliance and the Coalition indicated that they will be meeting later this month to develop their specific recommendations about how to best address this issue. To this end, all parties agreed that County staff would convene a follow-up meeting with the Human Care Alliance and the Coalition in late April and subsequently return to your Board on May 21, 2002 with a follow up report on this issue.

It is therefore RECOMMENDED that your Board take the following action:

1. Accept and file this report; and
2. Return to your Board on May 21, 2002 with a follow up report on the potential future applicability of the ordinance to non-profit agencies.

Very truly yours,



Bob Watson
General Services Director



Susan A. Mauriello
Administrative Officer

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cc: Living Wage Coalition
Human Care Alliance

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ATTACHMENT 1

List of Contractors notified by GSD about the Living Wage Ordinance Requirement

VENDORS TO WHOM WE HAVE MAILED LIVING WAGE PACKETS

Name	Description of Service
AA Auto Collision	auto repair
Advanced Collision Centers	auto maintenance and repair
All Around Action Glass	glass installation
Allen E Bertrand	building maintenance and repair
Axiom II	furniture installation
Bay Building Maintenance	Building maintenance, custodial
Central Coast Landscape & Maintenance	landscape maintenance
Cintas Corporation	linen service
Clean Building Maintenance Co.	building maintenance
Complete Mailing Service	office support and mailing service
Conte's Generator Service	equipment maintenance
Crime Scene Cleaners	facility maintenance
Elevator Services Co.	equipment maintenance
Environmental Control	custodial services
First Alarm Security and Patrol	security services
Jimmy Smith Plumbing	plumbing service
Lewis Tree Service	tree trimming and removal
Loyal Electric	facility maintenance
Manpower Temporary Services	office support
Marcom Group	equipment maintenance
Mission Uniform	laundry service
Monterey Bay Office Products	office machine repair
North County Towing and Recovery	towing services
Ocean Chevrolet	auto repair services
Polar Radiator Service	auto repair service

Name	Description of Service
Quality Automotive	auto repair service
Santa Cruz Glass Company	glass installation
Schaefer Floor Covering	carpet and floor installation
Shangrila Landscape	landscape maintenance services
State Electric	equipment maintenance
Steve Beck	auto maintenance and equipment installation
Superior Alarm Co	security services
The Landscape Company	landscape maintenance
Whaler's Carwash	equipment maintenance
Williams Tree Service	tree trimming and removal
Wright's Brake	auto maintenance and repair