



## MEMORANDUM

**TO:** Mayor and Council  
**FROM:** Mark Washington, Interim Assistant City Manager  
**DATE:** May 15, 2015  
**SUBJECT:** Living Wage Stakeholder Group Recommendations

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This memorandum is provided as a follow-up to Council Resolution No. 20141016-035, which directed the City Manager to provide staff support for a stakeholder process to develop recommendations regarding the City's living wage rate and policy. Two previous memos were sent to the Council on Dec. 11, 2014 and Feb. 27, 2015 with updates regarding progress related to this resolution. Copies of these memos are attached below for reference.

This memorandum is written on behalf of the Living Wage Stakeholder Group ("LWSG" or "Group"). Listed below are summaries of the stakeholder process and the specific results of the stakeholder meetings. The LWSG has also included its formal recommendations to Council regarding the City's living wage rate and policy, including cost estimates. A list of stakeholders can be found at the end of this memorandum.

### **Stakeholder Process**

Since the LWSG's formation in Nov. 2014, the Group has met seven times (Jan. 14, Jan. 27, March 9, April 16, April 29, May 5, and May 11) to review requested information prepared by staff, discuss methods to utilize data, and prepare formal recommendations to Council. Council's Resolution noted that the stakeholder process should include representation from 12 specific community groups and labor organizations, as well as other interested stakeholders. City staff contacted all of the identified groups for participation. Over the course of the stakeholder process, eleven of the twelve community groups listed in the Resolution participated. LWSG members identified five additional organizations to include in the stakeholder process. Four of the five organizations identified participated in the process. Please refer to the attachment for a detailed list of stakeholder representation and level of participation.

## **Stakeholder Meeting Results**

The Jan. 27 meeting included a phone conference with Dr. Paul Osterman, Professor of Human Resources and Management at the Massachusetts Institute of Technology (MIT) Sloan School of Management, who is cited specifically in the Council Resolution and who is considered an expert on the topic of poverty levels and living wages in the United States. He has written several books that show adhering to a living wage policy best promotes quality service and a quality, stable workforce. Dr. Osterman shared several statistics and data points for consideration. While he asserted that the cost to live in the City of Austin would result in a wage floor above \$30/hour, he did not cite specific studies and he advised strongly against recommending anything close to that level. At the end of his presentation, the LWSG directed staff to conduct analyses on increasing the City's living wage from its current rate of \$11.39 per hour to \$16.83 and \$19.22. These proposed rates are based on the 2014 City of Austin Comprehensive Housing Study prepared by BBC Research & Consulting for the Neighborhood Housing & Community Development Department, using an average monthly rent of \$1,000 within the City of Austin.

During the March 9 meeting, the Group voted to remove \$19.22 as an option for evaluation. The Group asked staff to calculate costs for the proposed living wage rate options of \$13.03, \$13.50, \$15.00, and \$16.83. These rates were based upon Dr. Osterman's discussion with the LWSG to consider the poverty rate of Austin of \$5.21 and increase it by 150% ( $\$5.21 + \$7.82 = \$13.03$ ). For comparison, Austin Community College (ACC) established their living wage at \$13.38 from the Universal Living Wage Organization. Discussion of \$13.50 was an option to consider in an effort for the city to have a living wage rate slightly higher than ACC. The living wage rate of \$15.00 per hour was proposed in comparison to policies in the cities of San Francisco and Seattle. Again, the rate of \$16.83 per hour is based on the findings in the 2014 City of Austin Comprehensive Housing Study. The costs for those four options (\$13.03, \$13.50, \$15.00, and \$16.83) were presented by City staff at the meeting held on April 16.

On April 16, the LWSG voted to remove \$15.00 as an option and add \$13.38 as an option for consideration, resulting in new living wage options of \$13.03, \$13.38, \$13.50, and \$16.83. The LWSG tasked staff to calculate costs increasing salary amounts taking pay compression into account between employees who may have more years of experience, education, or tenure within the organization than their supervisors or peers by ensuring the employees' are rezoned in the new pay range. The cost calculation using this methodology was presented to the LWSG on April 29, 2015.

After review of the data presented by staff on April 29, 2015, the LWSG voted to remove \$16.83 as a recommendation to Council due to cost constraints. At the request of LWSG member Todd Kulick and with agreement by the Group, staff also presented an additional option that did not address the issue of pay compression. After further discussion, the LWSG voted to remove this option from consideration, because they continued to believe it was imperative to address pay compression when amending pay

ranges. In addition, the LWSG recommended that steps be taken by the City to avoid creating any incentive for departments to outsource jobs, to adjust hours worked to be authorized to pay lower rates, or to allow prime contractors to avoid the scale by using subcontractors; and enforcement procedures for contracts issued by Purchasing would be enhanced.

The LWSG also set fundamental principles – adjustments would be required to pay rates above the wage floor to prevent compression of wage rates for higher level jobs in the same category.

The objectives of meetings held on May 5 and May 11 were to discuss ways to utilize data and prepare formal recommendations to Council. In the course of these two meetings, the LWSG voted to make its formal recommendations to Council, which are found below.

### **Recommendations**

- The City should adopt a living wage rate of \$13.03 that will account for compression to take effect at the beginning of Fiscal Year 2016.
- The City's living wage rate should apply to all regular employees including full-time and part-time employees. The estimated annual cost for this proposal is \$63,117.
- The City's living wage rate should also apply to all temporary employees, excluding summer youth, regardless of the number of hours worked. The estimated annual cost for temporary employees only is \$1,718,957.
- The living wage rate should apply to all sub-contracts; including prime and sub-contracts.
- The living wage rate should apply to construction workers working on City contracts. The City of Austin should require the higher of the living wage or prevailing wage on construction contracts.
- The City Council may direct the City Manager, in cooperation with stakeholders as determined by Council, to attain the 2014 City of Austin Comprehensive Housing study based living wage rate of \$16.83, taking compression into account, by fiscal year 2020.
- The City Council may direct the City Manager to implement enforcement of the living wage policy, mirroring processes and efforts of the Contract Management Department, to Purchasing Department contracts to ensure the enforcement of living wage rate.

- The City Council may direct the City Manager to enforce that the living wage is applied to any contract between the City and its contractors that have living wage as part of its terms. This would include a clause that makes any third-party workers who labor for purposes of the contract a beneficiary to the contract terms requiring the living wage.

The LWSG is looking forward to briefing the Council on their recommendations soon.

xc: Marc A. Ott, City Manager  
 Rey Arellano, Assistant City Manager  
 Sue Edwards, Assistant City Manager  
 Robert Goode, Assistant City Manager  
 Bert Lumbreras, Assistant City Manager  
 Ray Baray, Chief of Staff  
 Elaine Hart, Chief Financial Officer  
 Ed Van Eenoo, Deputy Chief Financial Officer

Attachment

#### Living Wage Stakeholder Participants

**Stakeholders listed on the Resolution that participated in the process:**

<u>Organization</u>	<u>Name(s) of Representative(s)</u>
AFSCME	Carol Guthrie, Todd Kiluk, Christina Ortiz, Krissy O'Brien
Austin Interfaith	Robert Batlan
Workers Defense Project	Brett Merfish, Bo Delp, Emily Timm
Laborers' International Union	Jeremy Hendricks
IBEW Local 520	Mike Murphy
Austin Chapter of Gen Contractors	Phil Thoden
Plumbers Local 286	Chap Thornton
Greater Austin Chamber	Jeremy Martin, Robert Watts
Greater Austin Hispanic Chamber	Mark Madrid
Greater Austin Asian Chamber	Marina Bhargava
Austin Gay and Lesbian Chamber	Richard Segal

**Stakeholder listed on the Resolution, invited by staff, but did not participate:**

Greater Black Chamber of Commerce

Natalie Cofield

**Stakeholders identified by LWSG members who participated in the process:**

Equal Justice Center

Chris Willett

Austin Music People

Jennifer Houlihan

Center for Public Policy Priorities

Garrett Groves

U.S. Hispanic Contractors Association

Frank Fuentes

**Stakeholder identified by LWSG members, invited by staff, but did not participate:**

NAACP

Nelson Linder

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## MEMORANDUM

**To:** Mayor and City Council  
**From:** Mark Washington, Director, Human Resources and Civil Service  
**Date:** February 27, 2015  
**Subject:** Resolution No. 20141016-035 – Extension Request

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This memorandum is provided as a follow-up to my memorandum to City Council dated December 11, 2014, a copy of which is attached. It is written on behalf of the Living Wage Stakeholders who have participated in the process directed in Council Resolution No. 20141016-035. In my December 11 memo, I reported that the first Stakeholder Group meeting was held on November 19, 2014. Representatives from 11 of the groups identified in the Resolution attended that meeting. Notes describing the November 19 meeting are attached to this memo, as is a list of the stakeholders who attended or were invited to that meeting.

Since November, two additional Stakeholder Group meetings were held – one on January 14, 2015 and one on January 27, 2015. The first focused primarily on responses from City staff to questions raised during the November 19 meeting. The second included a phone conference with Dr. Paul Osterman, professor of Human Resources and Management at the Massachusetts Institute of Technology (MIT) Sloan School of Management, who is considered an expert on the topic of poverty levels and living wages in the United States.

During the January 27 meeting, Dr. Osterman shared with the Stakeholder Group several statistics and data points for consideration. At the end of Dr. Osterman's presentation, the Stakeholders directed staff to conduct analyses on increasing the City's living wage from its current rate of \$11.39 per hour to \$16.83 and \$19.22. These proposed rates are based on the 2014 City of Austin Comprehensive Housing Study prepared by BBC Research & Consulting for the Neighborhood Housing & Community Development Department published in August 2014. These rates are based on an average monthly rent of \$1,000 within the City of Austin.

Staff has subsequently completed its assessment, which includes the impact to the City budget for each scenario. Because that analysis necessarily included a review of pay compression (the relationship between positions in a job family), the Stakeholders were advised that Staff would require 2-3 weeks to not only conduct the analysis but to have it reviewed by the City's Budget Office.

Since the review by Budget has not been completed, the Stakeholders have determined that they will need additional time to receive and review the data prior to presenting a final recommendation to Council. Therefore, although the Resolution directed the Stakeholder Group to provide recommendations no later than March 1, 2015, the Stakeholders are requesting an extension through May 15, 2015, at which time they will provide a formal recommendation to Council. The Stakeholder Group is respectfully requesting approval of this extension.

**Cc:** Marc A. Ott, City Manager  
Anthony Snipes, Assistant City Manager  
Stakeholder Group Members  
Judy Wallace, Human Resources Assistant Director

Attachments: December 11, 2014 Memorandum with Backup





## MEMORANDUM

**TO:** Mayor and City Council  
**FROM:** Mark Washington, Director, Human Resources and Civil Service  
**DATE:** December 11, 2014  
**SUBJECT:** Resolution No. 20141016-035 – Living Wage Stakeholder Group

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This memorandum is provided in fulfillment of the requirement to report to City Council by December 11, 2014, on the progress of the stakeholder group formed to develop recommendations regarding the City's living wage rate and policy as directed by Resolution No. 20141016-035. This memorandum is written on behalf of the stakeholder group and presents the progress to date.

The first stakeholder group meeting was held in City Hall on November 19, 2014. The Resolution directed that the stakeholder process should include representation from 12 specific community groups and labor organizations as well as other interested stakeholders. City staff contacted all of the identified groups and two additional stakeholder groups to schedule the first meeting. Representatives from 11 stakeholder groups attended the meeting (notes describing the November 19<sup>th</sup> meeting are attached to this memo, as is a list of the stakeholders who attended or were invited to that meeting). In addition, the Resolution directed the stakeholder process to seek input from Dr. Paul Osterman, professor of Human Resources and Management at the M.I.T. Sloan School of Management. Dr. Osterman's schedule will not allow him to attend until early in 2015.

During the November 19<sup>th</sup> meeting, the stakeholders reviewed the direction provided in the Resolution; expressed concerns, issues, and interests; introduced potential ideas; and defined next steps. In particular, the meeting offered the first opportunity for the group members to identify the information and data needed to conduct a comprehensive analysis of the current cost of living in Austin and whether the City's current living wage rate is sufficient to enable workers to meet their basic needs. City staff compiled a list of information needs and is working to gather the responsive information.

Staff is currently working on dates for Dr. Osterman to meet with the stakeholder group. The stakeholder group intends to meet again in early January 2015 prior to Dr. Osterman's visit. The Resolution requires the stakeholder group to provide formal recommendations including the associated fiscal impacts to City Council no later than March 1, 2015.

Please let me know if you have further questions.

cc: Marc A. Ott, City Manager  
Anthony Snipes, Assistant City Manager  
Stakeholder Group Members  
Judy Wallace, Assistant Director, Human Resources

**Attachment**

**Living Wage Stakeholder  
Meeting Notes - 11/19/14**

**Stakeholder Meeting Attendees**

AFSCME	Todd Kiluk, Carol Guthrie
Austin Interfaith	Robert Batlan
Workers Defense Project	Brett Merfish
Laborers' International Union	Jeremy Hendricks
IBEW Local 520	Mike Murphy
Austin Chapter of Gen. Contractors	Phil Thoden
Plumbers Local 286	Chap Thornton
Greater Austin Chamber	Robert Watts
Greater Austin Asian Chamber	Marina Bhargava
Austin Gay and Lesbian Chamber	Richard Segal
Equal Justice Center	Chris Willett
City Staff	Judy Wallace, Holly Moyer, Mike Hockmuller, Ann Eaton, Brad Sinclair, Urcha Dunbar-Crespo, Betsy Spencer, Yolanda Miller

**Other Stakeholders invited, but not in attendance:**

Greater Austin Hispanic Chamber of Commerce	Mark Madrid
Greater Black Chamber of Commerce	Natalie Cofield
NAACP Austin	Nelson Linder

**Stakeholders who have expressed interest in participation since the 11/19 meeting:**

Austin Music People (AMP)	Jennifer Houlihan
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The following is a list of issues and/or topics of concern that were discussed during the Stakeholder meeting:

1. Chapter 380 Economic Development Agreements
2. The definition of a seasonal employee and current wages
3. The City's definition of a living wage
4. City of Austin Temporary Employee practices
5. Private sector living wage comparisons
6. Topic of compression
7. Living wage policies in other Cities/Governments in current practice
8. City policy for increasing annual salaries
9. Measuring the fiscal impact of increasing the Living Wage and its effect on new hiring
10. Lower level employee vacancies
11. Amount of employee total compensation package with benefits
12. Status of City's communication with ACC, the County, and AISD regarding the Living Wage Policy
13. Amount of lower paid employees who reside within City limits
14. City Council's position on city employees residential location
15. Lower paid employees turnover rate and frequency of mobility to higher paid positions
16. Living wage relationship to real cost of living
17. Report to address correlation between living wage and actual cost of living
18. Defining the wage floor and comparing to living wage
19. History of the process of formulating a living wage for the City of Austin
20. Comparison of the City of Austin to other Cities that implement different economic indices
21. City practices in "competitive" hiring and retention of employees

Suggestions from Stakeholders that require further evaluation:

1. Use of HHSD poverty index as the low end
2. Determine real cost of living in the City of Austin
3. Evaluation of factors that determine housing cost
4. Define wage floor for the City of Austin; comparison to current City of Austin Living Wage

**Information Requested of Staff by the Stakeholders**

1. A list of people/organizations in the current Stakeholder Group
2. A breakdown of employees in various pay scales
3. Percentages of employees (by pay group) living in Austin versus other cities
4. Copy of the City's August 2014 response to Council Resolution No. 20140612-067 and any other data related to questions asked

**Next Steps**

- HRD will start gathering and sending responses to above questions
- Meet one time in early January before Dr. Osterman comes to Austin to ensure everyone is on the same page
- Meet week of Dr. Osterman's visit
- Possibly invite other groups and the public later (after Dr. Osterman's visit) to give results and get input.