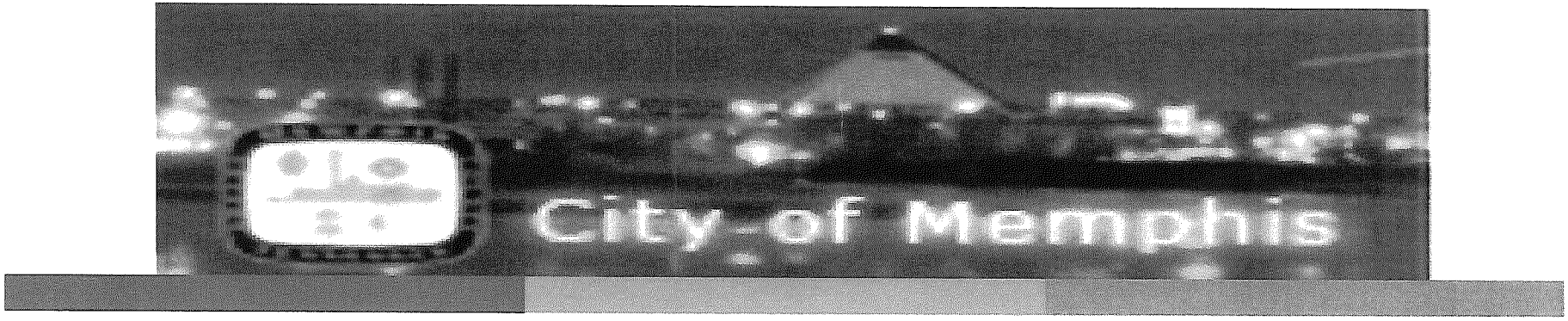


Annual Report
on the Living Wage Ordinance
to
The Mayor and City Council

April 21, 2009

Executive Summary

Effective December 11, 2006, the Memphis City Council adopted the Living Wage Ordinance No: 5185 (the Ordinance) to establish a living wage rate. The Living Wage Ordinance requires contractors and subcontractors to pay employees a wage rate of $10.27/hour inclusive of fringe benefits or alternatively, $12.32/hour if bonafide fringe benefits are not provided for work on City of Memphis awarded service contracts.

The Ordinance as originally adopted was amended with Ordinance No: 5257 effective July 1, 2008 and Ordinance No: 5293 effective February 19, 2009 to annually adjust the living wage rates and to exempt smaller businesses from certain reporting requirements of the Ordinance, respectively.

The Comptroller successfully implemented the Ordinance as amended and is pleased to submit the first Annual Report (the Report) to the Mayor and City Council. The purpose of the Report is to summarize the Administration's progress in implementing and monitoring compliance with the Ordinance. This first Report reflects 100% compliance and does not include any instances of violations by contractors or complaints from contractor or subcontractor employees.

Also included in this first Report is a summary conclusion on the financial impact of the Living Wage Ordinance on the City of Memphis finances.

Executive Summary (cont'd)

Effective with the adoption of the Ordinance, the Purchasing Office added a living wage rate provision to all service contracts and contract renewals including specific instructions for compliance.

Monitoring under the Ordinance falls under the responsibility of the Comptroller is carried out on a day to day basis by the Prevailing Wage Office (the Wage Officer). The Wage Officer reviews certified payrolls and affidavits in lieu of certified payrolls from contractors and subcontractors to determine compliance with the Ordinance. The Wage Officer is also available to investigate instances of violations and complaints regarding the level of contractor and subcontractors compliance with the Ordinance.

To assess the level of compliance for this Report, the Purchasing Office and the Prevailing Wage Office identified 112 service contracts awarded subject to the Ordinance. In each instance, the Wage Officer cited 100% compliance with the certified payroll reporting requirement, 0% violations and 0% complaints reported.

Although, there were several instances in which contractors opted out of contract renewals or increased renewal costs above inflation or new contractor bids were higher than the previous awards, the financial impact of the Ordinance is difficult to quantify across all commodity codes. In the categories of Janitorial and Security, the ordinance had a significant financial impact.

Purpose of the Living Wage Ordinance

The Memphis City Council established the Living Wage Ordinance for the purpose of ensuring that contractors and subcontractors receiving service contracts from the City of Memphis pay a living wage to their employees in support of employment and economic development goals.

The City Council with the adoption of the Living Wage Ordinance is intent on improving the health and welfare of residents and helping working people lift their families out of poverty. The City Council further with the adoption of the Living Wage Ordinance is intent on positively impacting the quality of services to the City and the public by lowering high turnover and fostering stability in the workplace through better compensation.

The Living Wage Ordinance requires contractors and subcontractors awarded contracts with taxpayer-funds to pay their employees a living wage of $10.27/hour with bonafide fringe benefits or $12.32/hour with no fringe benefits.

Living Wage Ordinance Chronology

- Living Wage Resolution introduced under the leadership of Council member Joe Brown on February 21, 2006.
- Living Wage Ordinance No: 5185 adopted December 11, 2006 to establish a minimum wage rate for employees of contractors and subcontractors working on City of Memphis service contracts. The Living Wage Ordinance set the rates at $10.00/hour with fringe benefits and $12.00/hour with no fringe benefits.
- The City Council amended the Living Wage Ordinance with Ordinance No: 5257 adopted July 1, 2008. The objective of the amendment is to add an annual adjustment to the living wage rate in accordance with the Federal Poverty Level Index.
- The City Council amended the Living Wage Ordinance with Ordinance No: 5293 adopted February 19, 2009. The objective of the amendment is to exempt contractors and subcontractors with less that ten (10) employees from certain certified payroll reporting requirements.
- The Living Wage Ordinance requires the Comptroller to provide an annual report to the Mayor and the City Council on the progress toward implementation and the level of compliance with the Ordinance.
- The Living Wage Ordinance requires the Director of Finance to report on the financial impact on the City resulting from the adoption of the Ordinance and related amendments.

Summary of Monitoring and Compliance Activities

- Reviewed 112 service contracts for compliance with the Living Wage Ordinance requirement for weekly certified payroll reports.
- Reviewed certified payrolls for compliance with the Living Wage Ordinance.
- Routinely followed up on contractors not compliant with the weekly certified payroll requirement to enforce compliance.
- Developed forms and related process for submission of certified payrolls from service contractors.
- Created complaint forms and process to manage complaints from employees.
- Created daily operating procedures and policies to support monitoring activities.

Results of Compliance Reviews

City Divisions along with the Prevailing Wage Officer receive on a weekly basis certified payrolls or affidavits which include wage levels and benefits paid per the Living Wage Ordinance.

Monitoring under the Ordinance falls under the responsibility of the Comptroller is carried out on a day to day basis by the Prevailing Wage Office (the Wage Officer). The Wage Officer reviewed certified payrolls and exemption affidavits from 112 contractors and subcontractors across several Divisions and across several service categories.

The Comptroller is pleased to report 100% compliance with the Living Wage Ordinance, 0% violations reported and 0% complaints reported by employees of contractors or subcontractors.

On the next page is a summary of the 112 contracts monitored for compliance with the Living Wage Ordinance and included within this Annual Report.

Living Wage Contracts by Commodity

Commodity	# of Living Wage Contracts	% of total LW Contracts
Landscaping	13	12%
Janitorial and cleaning services	14	13%
A&E - Design	11	10%
Medical Services	6	5%
Security	7	6%
Legal	17	15%
Vehicle repair/parts	8	7%
Landfill, sewer cleaning, waste removal	6	5%
Construction and maintenance *(non-prevailing wage projects)*	5	4%
Towing	3	3%
Software Maintenance	3	3%
Other	19	83%
Total	**112**	**100%**

Financial Impact of the Living Wage Ordinance

Although, there were several instances in which contractors opted out of contract renewals or increased renewal costs above inflation or entered new contractor bids were higher than the previous awards, the financial impact of the Ordinance is difficult to quantify.

In order to better understand the financial impact of the ordinance, a detailed cost study was completed for a sample of service contract categories.

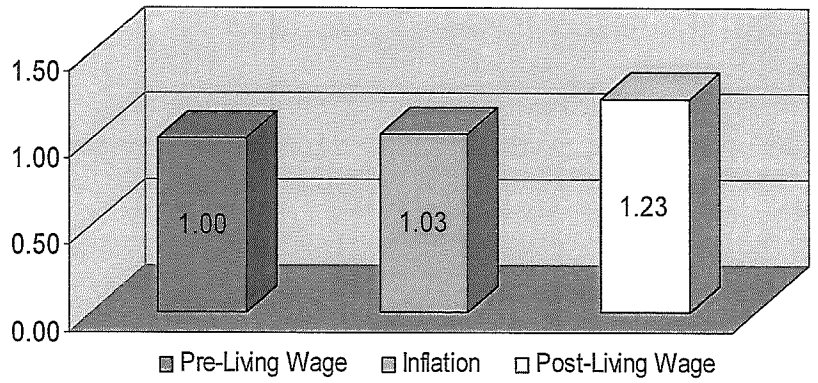
The Categories and results are as follow:

- Reviewed contracts for financial impact as a result of the Living Wage Ordinance
- Janitorial – 7 of 11 had living wage impacts
- Security – 5 of 7 had living wage impacts
- Landscaping – 10 of 13, no living wage impact could be concluded
- Other – 7 of 11, no living wage impact could be concluded
- Using a cost index of 1.00, the new contract award is compared to an inflation adjusted base.

Summary of Financial Conclusions

- Conclusion
  - Janitorial Contracts awards after the Living Wage ordinance resulted in 23% higher cost on average

Summary of Janitorial Re-Bids



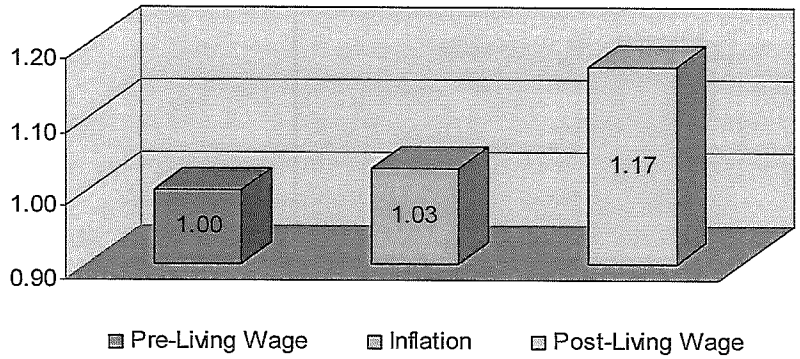
Total Cost comparison by year between old and new contract

YEAR	COST	YEAR	COST	DIFFERENCE
Year 0	$ 251,418.74	Year 1	$ 313,132.00	$ 61,713.26

Summary of Financial Conclusions

- Conclusion
  - Security contracts awards after the Living Wage ordinance resulted in 17% higher cost on average

Summary of Security Re-Bids



Total Cost comprison by year between old and new contract

YEAR	COST	YEAR	COST	DIFFERENCE
Year 0	$ 1,526,895.00	Year 1	$ 1,779,918.36	$ 253,023.36