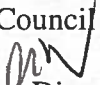




MEMORANDUM

To: Mayor and City Council

From: Mark Washington,  Director of Human Resources and Civil Service

Date: August 21, 2014

Subject: Minimum Compensation for City Employees (Resolution 20140612-067/CIUR 1331)

PURPOSE

The purpose of this memo is to provide a response to Resolution 20140612-067 which regards potential changes to the current living wage of \$11.00 per hour. Relatedly, data regarding the anticipated cost to the City of establishing a minimum wage of \$11.00 per hour was included in a published report to Mayor and Council August 7, 2014. This information was in response to Resolution 20140417-052.

BACKGROUND

On April 17, 2014, Council adopted Resolution 20140417-052 (CIUR 1322) directing staff to prepare a detailed cost proposal for consideration in the FY2014-15 budget that would establish \$11.00 per hour as a minimum compensation for all City employees. The only City employees earning less than \$11.00 per hour are temporary employees, most of whom are seasonal workers (e.g., lifeguards, school crossing guards, and participants in the summer youth hire program). The estimated cost impact to increase the rates of all affected City employees to \$11.00 per hour is \$1,689,521. This cost includes *all* temporary employees currently earning less than \$11.00 per hour, including Summer Youth. This data was in the published report on August 7, 2014 from the Budget Office to City Council, showing all IFCs with funding implications.

On June 12, 2014, Council passed Resolution 20140612-067 (CIUR 1331) directing staff to conduct a living wage study and provide recommendations to Council regarding any potential changes to the current living wage rate of \$11.00 per hour. Furthermore, staff was directed to provide "options for tying the City's living wage rate, which shall apply to any existing City policies and procedures regarding living wage to an inflation index, cost of living index, or the local cost of housing, and provide a report back to Council with recommendations within 60 days including indexing options, how many employees in the City workforce are currently making the City's living wage of \$11.00 an hour, and the potential budgetary impact for any initial or ongoing increases in the City's living wage rate."

ANALYSIS

In response to the most recent resolution (CIUR 1331), staff surveyed Texas counties and public sector entities in the Austin area. As shown in the chart below, the average local living wage rate for public sector agencies, Travis County and Austin Independent School District (AISD) is \$11.00. The rates shown below apply only to regular (non-temporary) employees in each entity. Austin Independent School District temporary employees earning less than \$11.00 per hour include cafeteria monitors, office workers, and substitute teachers. The University of Texas temporary employees earning less than \$11.00 per hour are work-study students. The City of Austin's pay is competitive when compared to other public sector entities in the Austin area.

Local Public Sector Agencies	Hourly Rate
Austin Independent School Dist.*	\$11.00
University of Texas @ Austin	\$11.01
Travis County	\$11.00
Local Average	\$11.00

*AISD increased its living wage rate from \$10.00 to \$11.00 in July 2013. The last increase to the City's living wage was in 2009, when the 2006-established living wage of \$10.90 was increased to \$11.00.

The Resolution directed staff to tie the City's living wage rate to an inflation index, cost of living index, or the local cost of housing.

The most recent Bureau of Labor Statistics report indicated that the change in the *Consumer Price Index* as of June 2014 was approximately 2.01%. If the City were to increase its living wage rate by that percentage, the new rate would be \$11.22. The City is currently proposing an across-the-board salary increase of 3.5% for non-sworn regular employees. If the City were to increase its living wage rate by that percentage, the new rate would be \$11.39.

The City of Austin's Neighborhood Housing and Community Development Department released its *Housing Market Study* last week, which includes various indices regarding cost of living and housing in the Austin market. Based on the data, staff believes that a family with a total household income between \$35,000 and \$39,999 (\$16.83 and \$19.23 per hour) can afford a monthly rent up to \$1,000 per month. For a dual-income household, a living wage rate at \$11.00 would encompass 65% of the required income.

COST ESTIMATES

In addition to increasing the temporary employees' pay rates to \$11.00, the following chart shows the approximate costs to increase rates to \$11.22, which is 2.01% above the current living wage, and to \$11.39, which is 3.5% above the current living wage. All current regular employees earn above \$11.39 per hour.

	<i>Living Wage</i>	<i>All Regular (Non-Temporary) Employees</i>	<i>All Temporary Employees, Excluding Summer Youth</i>	<i>Temporary Summer Youth</i>	<i>All Employees, Including Temporaries & Summer Youth</i>
Current	\$11.00	\$0	\$1,400,608	\$288,913	\$1,689,521
2.01%	\$11.22	\$0	\$1,597,610	\$305,862	\$1,903,472
3.50%	\$11.39	\$0	\$1,667,851	\$318,960	\$1,986,811

CONCLUSION

Our conclusion is that the City's pay is competitive when compared to other public sectors in the Austin area and that the City should not increase the living wage rate. If the City were to increase the living wage rate for temporary employees, it should be increased by no more than 3.5% (the projected amount of City-wide across-the-board wage increases), and should not include an increase for temporary Summer Youth employees.

Please call me if you have any questions or need additional information.

cc: Marc A. Ott, City Manager
 Anthony J. Snipes, Assistant City Manager
 Elaine Hart, Chief Financial Officer
 Ed Van Eenoo, Deputy Chief Financial Officer
 Judy Wallace, Assistant Human Resources Director
 Holly Moyer, Compensation Manager

