



SUPPLEMENTAL COUNCIL AGENDA: 10-28-08 ITEM: 6.3

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: William F. Sherry, A.A.E.,
Katy Allen,
Jennifer A. Maguire

SUBJECT: AIRPORT LIVING WAGE

DATE: 10-24-08

Approved

Date

10/24/08

SUPPLEMENTAL

RECOMMENDATION

1. Authorization for the addition of three positions in the Public Works Department (1.0 Contract Compliance Coordinator, 1.0 Contract Compliance Specialist and 1.0 Contract Compliance Assistant).
2. Adoption of the following 2008-2009 Appropriation Ordinance amendments in the Airport Maintenance and Operation Fund (523):
 - a. Increase the Personal Services appropriation in the Public Works Department in the amount of \$166,930;
 - b. Increase the Non-Personal/Equipment appropriation in the Public Works Department in the amount of \$22,483;
 - c. Increase the Overhead appropriation in the amount of \$29,587; and
 - d. Decrease the Contingency Reserve in the Airport Department in the amount of \$219,000.

OUTCOME

This action will provide Airport funding for the remainder of 2008-2009 for the Office of Equality Assurance to recruit and hire three new full-time equivalent (FTE) staff to implement and enforce the proposed Airport Living Wage Ordinance.

BACKGROUND

At its meeting on October 6, the Transportation and Environment Committee reviewed the draft Living Wage Ordinance, three implementation options, a complaint-based enforcement system and a cost estimate for enforcement under a complaint-based system.

After discussion, the Committee recommended Council approval of the following recommendations based on a memo presented by Chair Williams:

1. Implement the living wage ordinance Airport-wide effective January 1, 2009;
2. Direct staff to amend the monitoring and enforcement language in the draft ordinance. The amended language should require that the City apply the same proactive enforcement procedures currently used in the enforcement of existing living wage policy;
3. Direct staff to present for Council action the draft Living Wage Ordinance on October 21;
4. Direct the City Attorney to work with legal counsel from Southwest Airlines and South Bay Labor Council to determine the feasibility of exempting from the minimum compensation section of the Living Wage Ordinance those employees of commercial airlines for whom the aggregate of wages, corporate payments for health insurance and corporate payments into a pension fund exceeds the City's living wage level; and
5. Direct staff to return to the Transportation and Environment Committee in March 2009 with an implementation plan for the training program at the Airport.

This supplemental memo responds to Items 2 and 4 above.

ANALYSIS

OEA Staff Resources

Current staffing in the Office of Equality Assurance is inadequate to handle the workload created by the proposed Ordinance. Under the scenario of proactive enforcement, three positions are needed. It is anticipated that staff will be hired by early January. The fiscal impact to the Airport for 2008-2009 will be \$219,000 for staff and ongoing costs increasing to approximately \$423,500 in 2009-2010. These resources reflect our best estimate to develop and implement the start up effort needed at the front end of the new program; future staffing levels will be evaluated as the program comes on line.

Commercial Airlines Exemption

Staff from the City Attorney's Office, City Manager's Office, Airport and Office of Equality Assurance held a conference call with members of Working Partnerships USA and Southwest Airlines to discuss the feasibility of exempting commercial airlines from the minimum compensation requirements of the ordinance.

As explained in the City Attorney's Office memo distributed earlier this week, there are no legal impediments to this concept so long as the exemption is applied Airport-wide and City-wide. However, it was noted that this exemption would, in effect, require modification of the definition of "minimum compensation" in order to satisfy the request to include pension or retirement benefits and other deferred or non-cash employer-provided benefits beyond the existing \$1.25 per hour medical benefit allowance currently defined in the Living Wage Policy. Working Partnerships USA stated they were only interested in exploring a commercial airline exemption and would not be supportive of an Airport-wide or City-wide exemption.

In principle, living wage policies have been based on the income needed for individuals and families to cover their basic living costs such as housing, childcare, food, utilities and transportation. By ensuring a minimum hourly rate of pay, the chances for lower skilled workers to attain sustenance, decrease the amount of poverty and reduce the need for taxpayer funded social services is increased.

Under the proposal put forth for evaluation, the exempted employers would not be required to pay their employees the City's established hourly rate of pay. Rather, employer payments for health insurance and qualified pension or retirement plans would be allowed to be used in addition to the employees' hourly rate of pay in determining whether an employer meets the City's living wage rate. To illustrate this point, let us use ABC Janitorial Company as an example. ABC Janitorial pays its employees \$9.25 per hour and makes payments of \$5.00 per hour per employee for health insurance and pension. Under the City's current living wage policy, ABC Janitorial Company would be required to increase the pay to its employees by \$3.58 per hour to \$12.83 per hour. Under the proposal for evaluation, ABC Janitorial Company would be allowed to continue to pay its employees \$9.25 per hour because the combination of the hourly rate of pay and the employer payments for health and pension exceed the City's living wage rate of \$14.08 per hour. This type of modification to the City's Living Wage Policy would be a significant undertaking and would require additional outreach which has not been conducted.

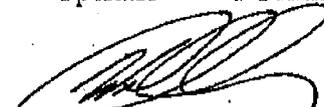
COORDINATION

This memorandum has been coordinated with the Offices of the City Attorney and City Manager.

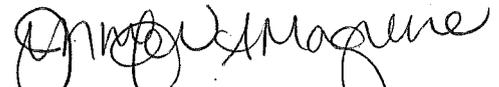
BUDGET REFERENCE

Fund #	Appn #	Appn Name	Total Appn	2008-2009 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
523	8905	Contingency-Reserve	\$2,025,106	XI-3	6/24/08, Ord. No. 28349

Funding for the addition of three positions is available from the Airport Maintenance and Operation Fund Contingency Reserve.


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Director of Aviation


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Director of Public Works


Jennifer A. Maguire
Budget Director

For questions, please contact Bill Sherry, Airport, at 408-501-7600 or Nina Grayson, Office of Equality Assurance, at 408-535-8455.

