



Office of the City Manager

ACTION CALENDAR

October 14, 2003

To: Honorable Mayor and  
Members of the City Council  
From: Weldon Rucker, City Manager  
Subject: Implementation of the Living Wage Ordinance Wage Rate Increases

RECOMMENDATION

There has not been time to study the consequences for the non-profits of implementing the living wage increases and we are recommending that this be postponed until the November 4, 2003.

SUMMARY

On July 14, 2003, the City Council adopted a resolution adjusting the City's living wage rates. The Council increased the living wage rate from \$9.75 to \$10.76 if medical benefits are provided or \$11.37 to \$12.55 if medical benefits are not provided. These increases are to become effective July 16, 2003. These increases came after the first of the fiscal year and after the non-profit agencies had completed their budgets. The increase came eight months after they had submitted proposals for City funding. There is no possibility to increase their budgets to meet these increases immediately. Several of the childcare agencies that are affected are still facing uncertain funding from the State. There could be grave consequences in the retro-active implementation of these wage increases including laying off staff and decreasing services. The City needs time to find out exactly how much these increased costs will be and consider several alternatives.

FISCAL IMPACTS OF RECOMMENDATION

The cost of the living wage increase and other costs such as workers compensation insurance need to be collected and analyzed.

CURRENT SITUATION AND ITS EFFECTS

At the present time community agencies that contract with the City of Berkeley must comply with the living wage ordinance. If the agency receives \$100,000 or more, and has 6 employees, it must pay any person who works 50% or more time on the City contract a living wage. If the agency leases from the City and generates a budget of \$350,000, it must pay any person who works on the site a living wage.

There are currently many community agencies such as non-profit housing developers which are able to pay their employees in excess of the living wage. On the other hand many non-profits, such as childcare providers, simply cannot find the extra revenue to meet these increased

standards. When the living wage ordinance was enacted a City stipend was made available to some agencies to meet the criteria. However, the increase this year has made it difficult for them to implement due to the timing. The budgets have been set, the revenue accounted for and there is a possibility of another round of cuts coming from the State for childcare providers. Some agencies are not signing their City contracts because they do not feel they can comply with the Living Wage Ordinance.

Workers Compensation rates have increased dramatically for most agencies and by increasing wages it will increase the already high Workers Compensation rates.

BACKGROUND

Non-profit organizations have brought their concerns to the Commission on Early Childhood Education and they have recommended a moratorium and task force.

RATIONALE FOR RECOMMENDATION

The City Manager would like to postpone any action on this item until November 4, 2003 to be sure that all concerns are adequately addressed.

Approved:

A handwritten signature in cursive script, reading "Stephen Barton", is written over a horizontal line.

Stephen Barton, Housing Director