



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** November 23, 2010

**TO:** Mayor and Councilmembers

**FROM:** Administration Division, Finance Department

**SUBJECT:** Living Wage Advisory Committee Recommended Changes To The Living Wage Ordinance

**RECOMMENDATION:** That Council:

- A. Hear a staff report summarizing the Living Wage Advisory Committee's recommendations and related administrative procedures to improve the Living Wage Ordinance; and
- B. Provide staff with direction with respect to the Committee's recommendations.

### EXECUTIVE SUMMARY:

The Living Wage Ordinance was implemented in July 2006. At that time, Council requested that the Living Wage Advisory Committee ("Committee") return to Council after two years with an assessment of the program and any recommended changes. The report was not submitted closer to the two-year period due to workload considerations and reduced staffing. Staff was not able to devote the time and resources to bring their recommendations to the City Council in a more timely manner. However, the Committee has now completed its assessment report work. The Committee's full report is attached, which contains detailed analysis and discussion of their recommendations.

In addition to developing recommendations for improving the Living Wage Ordinance, (hereinafter the "Ordinance") the Committee requested staff to calculate the cost impacts to the City of the Living Wage Ordinance. Staff conducted a non-scientific survey of businesses to complete this assessment. The results are discussed below.

### DISCUSSION:

#### Background

The Living Wage Ordinance went into effect on July 1, 2006 with three wage tiers:

- \$14.00 per hour if no benefits were provided;

- \$12.00 per hour if basic medical insurance coverage was provided at no cost to the employee as well as compensated time-off; and
- \$11.00 per hour if basic medical insurance coverage was provided at no cost to the employee and compensated time-off and an additional supplemental benefit was provided.

The Ordinance applies to individual businesses which contract with the City with one or more contracts with the City totaling \$15,000 or more in a given year. For example, if a vendor has three separate contracts of \$6,000 each with three separate departments, the vendor would be subject to the Living Wage Ordinance since the total of the three contracts exceeds the \$15,000 threshold.

Pursuant to the Ordinance, the contract threshold and the three hourly wage tiers have been adjusted upward annually each July 1<sup>st</sup> by the January-January change in the Consumer Price Index for Urban Wage Earners and Clerical Workers for Los Angeles-Riverside-Orange County with an annual adjustment cap of 6%. For Fiscal Year 2011, the threshold is \$16,548; and the wage tiers are \$15.45, \$13.24, and \$12.14. With the adoption of the Living Wage Ordinance, Council established a Living Wage Advisory Committee. It consists of seven members appointed by City Council, representing locally-owned businesses, living wage advocates, non-profit organizations, the Chamber of Commerce or Downtown Organization, and the public at large. One of the primary charges of the Committee was to assess the effectiveness of the Living Wage Ordinance, and to return to the Council with any recommendations for improving the Ordinance and the administration of the program.

### **Living Wage Advisory Committee Report.**

The attached Living Wage Advisory Committee Report provides a detailed discussion of the Committee's recommendations. A summary is provided below, including staff comments, as appropriate.

- 1. Eliminate the Dollar Threshold.** All vendors who do business with the City would be subject to the Ordinance in all cases rather than when the dollar threshold, currently at \$16,548, has been reached.

**Staff Response:** The issues surrounding the current threshold relate to the administrative burden of tracking vendors citywide across multiple departments to determine when a vendor has exceeded the threshold and therefore becomes subject to the living wage. Second, new vendors bidding for contracts below \$15,000 may have a competitive advantage over a vendor that has already reached the threshold through other contracts with the City within a fiscal year.

While staff recognizes the benefits of lowering the threshold to zero, it also creates other impacts in that all contractors performing any work for the City would be subject to the Living Wage Ordinance. This not only could have a greater impact of the amount the City pays for services, it may also affect the City's ability to secure vendors for very small contracts.

Council may want to consider, as an alternative, raising the threshold to reduce the administrative burden on staff and to reduce the number of contracts to which the Living Wage Ordinance applies to also reduce the occasions in which vendors are placed at a competitive disadvantage.

- 2. Simplify the Qualifications for the Lower Wage Tiers.** Rather than a qualitative analysis and comparison of benefits provided by vendors, the Committee suggests using a more quantitative approach to determining when a contractor qualifies for one of the lower wage tiers.

**Staff Response:** Although there is no ideal solution, staff concurs with the Committee's recommendation and analysis.

- 3. Establish Fines for Non-Compliance and Inadequate Record Keeping.** .

**Staff Response:** Staff concurs with the Committee. Currently, the only remedy for non-compliance is to terminate contracts and to disallow the firm from receiving future City contracts, either temporarily or permanently. A fine system would provide an additional compliance tool and create an intermediary step. The audits showed that firms maintained inadequate records to conclusively demonstrate compliance. Fines would be imposed when the audits cannot substantiate compliance based on provided records. However, we have been advised by the City Attorney's office that any fines imposed would have to be imposed only through an administrative citation hearing process which provides full "due process" legal rights to the contractor and which includes the ability to obtain Superior Court review of any fines which may be imposed by the City. In addition, the amount of the fines and the process for determining a violation of the Ordinance would need to be established by an amendment to the Living Wage Ordinance.

- 4. Establish a Funding Source for Compliance Audits.**

**Staff Response:** The creation of the Living Wage Ordinance did not include any ongoing funds for enforcement. The enforcement program was intended to be on a complaint basis and not include an active audit program to promote compliance. The cost to conduct an audit of just one contractor to determine compliance with the requirements of the Living Wage Ordinance is approximately \$3,500.

Staff agrees that an effective enforcement program should include an audit component along with the required funding. However, any funds provided for audits should be considered in the context of other City programs and funding priorities, as well as the financial challenges facing the City as a result of the recent economic downturn. City Council should also consider and recognize that the City currently has eliminated its funding for its transient occupancy tax audit program due to budget cuts, which could have revenue impacts.

**5. Require Non-Profit Organizations Competing with the Private Sector to be Subject to the Living Wage.** The current Ordinance exempts non-profits from paying a living wage.

**Staff Response:** This is a technical clarification that would require non-profits that compete for City contracts along with private contractors to also be subject to the Living Wage Ordinance.

**6. Pay all City Workers the Living Wage.**

**Staff Response:** The City does pay less than the Living Wage rates to certain limited term, hourly, employees. For example, in Fiscal Year 2010, the City hired a total of 706 hourly employees at an hourly rate that was below the living wage. These employees worked an average of 613 hours each. These positions are seasonal in nature and include swim instructors, parking lot attendants, lifeguards, etc. In addition, many of the positions are filled by college students or retirees where the wages they are paid are not intended or expected to be sufficient to “earn a living” and are consistent with the market compensation for such positions. Other hourly employees hired by the City on a temporary basis that are assigned to work performed by regular employees are paid an hourly wage that does exceed the wage tiers established by the Living Wage Ordinance.

It is important to note that the Living Wage Ordinance specifically exempts both private and public employees who are subject to collective bargaining from its provisions. All City hourly employees who work more than 520 hours per year (25% of full-time hours of 2,080) are represented by the Service Employees International Union (SEIU), Local 620, and the City actively bargains with their Union over their wages, benefits, and other terms and conditions of employment.

Further, the City already has a full set of Charter provisions, Municipal Code Sections, and employment policies dealing with City employment. If the Council did wish to increase wages or benefits for City employees, staff would recommend that it be accomplished through these established Charter and Municipal Code policies and procedures and not through the Living Wage Ordinance.

The cost to increase the wages of all hourly employees to \$15.45, based on Fiscal Year 2010 data, is approximately \$1.1 million city-wide. If only those employees working more than 520 hours were paid \$15.45 per hour, the impact would be approximately \$750,000 citywide.

**7. Evaluating Cost of Bringing Services In-house.**

**Staff Response:** As recommended by the Committee, the City does and will continue to consider the full cost when making decisions to bring services in-house. However, other factors in addition to cost may also factor into the ultimate decision.

#### **8. Increase Program Awareness.**

**Staff Response:** There is no budget for an outreach program to increase awareness, particularly for those employees who may benefit from the living wage. However, staff will look for opportunities where a public service announcement created by the City's TV programming staff could be aired by local radio and television stations, in both English and Spanish, at no cost to the City.

#### **Financial Impacts of the Living Wage Ordinance**

Determining the actual financial impacts to the City due to the Living Wage Ordinance is difficult. Other factors in addition to wages, such as fuel prices, insurance, interest rates, equipment and material costs, influence the final price. In addition, contractors comply with the requirements in a variety of ways. Based solely on the survey responses (68 of 97 firms responded), the City's cost increased by an estimated \$194,000 in Fiscal Year 2007 due to the Living Wage requirements. This does not include the direct impact to the cost of the renewed contract for parking management services at the Airport of \$150,000.

Based on more recent data collected from contractors during Fiscal Year 2010, the impact of the Living Wage Ordinance is estimated at \$171,725. These increases are structural, would be ongoing, and would increase as Living Wage rates are increased. Also, costs will increase as contracts that were awarded before the adoption of the Living Wage Ordinance expire and are bid using the Living Wage rates.

**ATTACHMENT:** Living Wage Advisory Committee Report

**PREPARED BY:** William Hornung, C.P.M., General Service Manager

**SUBMITTED BY:** Robert Samario, Finance Director

**APPROVED BY:** City Administrator's Office

**CITY OF SANTA BARBARA LIVING WAGE ADVISORY  
COMMITTEE**

**Report to the City Council  
Assessment of the Living Ordinance**

**Dated October 22, 2010**

## **BACKGROUND**

### **Contracts Subject to the Living Wage Ordinance**

The Living Wage Ordinance (“Ordinance”) went into effect on July 1, 2006. At that time, Living Wages were required to be paid by any:

*“...person or other legal entity (other than a public entity or a nonprofit entity) which enters into one or more contracts with the City to provide services to the City (other than recreation services to the public), where the amount paid by the City to the person or entity may exceed or exceeds Fifteen Thousand Dollars (\$15,000) when such compensation is calculated on a City fiscal year basis. Municipal Code 9.128.010 C.”*

Since the threshold is measured on a fiscal year basis, a vendor may become subject to the Ordinance with a single contract exceeding the threshold or through several contracts with the City in a single year that, on a combined basis, exceed the threshold. For example, if a vendor has three separate contracts of \$6,000 each with three separate departments, the vendor would be subject to the Ordinance since the total of the three contracts exceeds the \$15,000 threshold. In this latter case, only the contract that exceeded the threshold, as well as any other contracts executed subsequently during the same fiscal year, is subject to the Ordinance.

Generally, all contracted services are potentially subject to the Ordinance. Licensed contractors, which are subject to California prevailing wage laws, are exempt since these wages exceed the living wage amounts established by the City’s Ordinance.

### **Living Wage Amounts**

The Ordinance established three (3) wage tiers based on the level of benefits provided to employees. Initially, the Ordinance established the following wage tiers:

- (1) \$14.00 per hour if no benefits were provided;
- (2) \$12.00 per hour if basic medical insurance coverage was provided at no cost to the employee as well as compensated time-off; and
- (3) \$11.00 per hour if basic medical insurance coverage was provided at no cost to the employee and compensated time-off and an additional supplemental benefit was provided.

### **Annual CPI Adjustments**

The contract amounts and the three hourly wage tiers are “adjusted upward annually each July 1<sup>st</sup>...” by the January-January change in the Consumer Price Index for Urban Wage Earners and Clerical Workers for Los Angeles-Riverside-Orange County with an annual adjustment cap of 6%.

Table 1 summarizes the past adjustments to wages and the aggregate contract threshold.

	<u>FY 2007</u>	<u>CPI</u>	<u>FY 2008</u>	<u>CPI</u>	<u>FY 2009</u>	<u>CPI</u>	<u>FY 2010</u>
<b>Threshold</b>	\$ 15,000	3.10%	\$ 15,465	4.60%	\$ 16,176	0.00%	\$ 16,176
<b>Living Wage Hourly Rates:</b>							
No Benefits	\$ 14.00	3.10%	\$ 14.43	4.60%	\$ 15.10	0.00%	\$ 15.10
Medical & Time-off	\$ 12.00	3.10%	\$ 12.37	4.60%	\$ 12.94	0.00%	\$ 12.94
Above benefits + Add'l	\$ 11.00	3.10%	\$ 11.34	4.60%	\$ 11.86	0.00%	\$ 11.86

### **Formation of the Living Wage Advisory Committee**

In connection with the adoption of the Living Wage Ordinance, a Living Wage Advisory Committee was formed, consisting of seven City Council appointed members representing locally-owned businesses, living wage advocates, non-profit organizations, the Chamber of Commerce or Downtown Organization and the public at large. One of the primary charges of the Committee was to assess the effectiveness of the Living Wage Ordinance, and to return to Council with any recommendations for improving the Ordinance and the administration of the program.

### **COMMITTEE RECOMMENDATIONS**

#### ***1. Eliminate the Dollar Threshold***

In cases where an incumbent vendor has already reached the living wage threshold and is bidding on additional work below the threshold, the Committee believes the incumbent is placed in a competitive disadvantage when competing against new vendors that are not subject to the living wage requirements. By requiring compliance with the Ordinance for all contracts from the first dollar, this change will even the playing field and streamline compliance monitoring.

Secondarily, the threshold is adjusted annually making it difficult for both vendors and City staff to track and remember (e.g., \$16,176 for Fiscal Year 2010) and therefore, complicates compliance monitoring.

#### ***2. Simplify the Qualifications for the Lower Wage Tiers***

The current system has three wage tiers. The highest hourly rate tier applies when no insurance benefits, compensated leave or other benefits are provided to the

employee. The employer can pay the middle wage tier provided they provide “Basic Medical Insurance Coverage” and Compensatory Time as defined in the Living Wage Ordinance. The Basic Medical Insurance Coverage requirement specifies that various co-pays and deductibles must be the same as those paid by City employees under the insurance plans sponsored by the City.

The employer can pay the lowest wage tier by not only providing Basic Medical Insurance and Compensatory Leave Time, but other benefits outlined in the Living Wage Ordinance, including (1) a deferred compensation program or another retirement plan under which the employer makes a contribution on behalf of the employee equal to 5% of the employee’s gross earning, and (2) medical insurance coverage for a spouse, family or domestic partner.

In effect, to ensure a contractor is appropriately paying the lowest tier, the contractor’s health insurance plan must be evaluated against the City’s for similarity. However, because of the many variations in types of insurance plans offered by the City and contractors – level of coverage, deductibles, maximums, etc. - evaluating the plans for comparability is not practical and, therefore, is not being performed. Staff is simply relying on contractors to indicate whether they provide the required benefits to warrant the middle or lowest wage tier.

Rather than have a requirement that specifies certain benefit elements, the Committee recommends establishing a dollar amount spent for benefits as the basis for paying a lower living wage tier. Although this system also has its own challenges, it would be easier to administer and enforce.

Specifically, the Committee recommends that contractors who spend the difference between the highest and one of the lower wage tiers on medical insurance and benefits would qualify for the lower wage tier.

Based on 2080 work hours per year (and 173 work hours per month), and using FY’10 rates (see table above) a contractor would have to spend the following amounts per month on benefits:

- Tier 1 (\$15.10) – No benefits need to be provided
- Tier 2 (\$12.94) - Spend at least \$374 per month
- Tier 3 (\$11.86) - Spend at least \$561 per month

### **3. Establish Fines for Non-Compliance and Inadequate Record Keeping**

Under the existing Ordinance, contractors that do not provide the requested payroll and other information to determine their compliance with the provisions of the Ordinance can have their contracts terminated and be banned from receiving new contracts. However, the Ordinance does not provide for imposition of fines.

The City recently conducted audits, performed by a local CPA, of three vendors that have or had contracts with the City to determine whether they were in compliance with the Ordinance. In these cases, although the contractors provided their payroll

records, the auditors were not able to determine whether they were in compliance due to poor accounting and record keeping systems.

In addition to the current provisions, the Committee recommends a fine program to encourage compliance. Failure of the contractor to keep adequate records sufficient to determine whether they were in compliance with the ordinance would result in fine of \$500 or 10% of the contract value, whichever is greater. Fines can be appealed to the Finance Director.

The purpose of these fines would be to motivate firms to keep appropriate records and avoid situations in which the City determines an audit of a contractor is appropriate but is unable to prove either compliance or non-compliance due to inadequate records.

Incidentally, the City has implemented processes and updated forms to improve the collection of data for measuring the ordinance's success. The following changes are being considered to address the issues raised from the audit:

- Update the certification form to highlight the minimum data requirements to demonstrate compliance.
- Require all contractors that are paying a living wage to provide a compliance report within 30-days from the conclusion of the contract.
- Require all contractors with annual contracts that are paying a living wage to provide a compliance report within 30-days of the completion of the first quarter.

#### ***4. Establish a One-Time Funding Pool for Conducting Compliance Audits***

When the ordinance was implemented, no funds were budgeted for conducting compliance audits. Consequentially, no audits were conducted until fiscal year 2010.

The Committee recommends Council established at least a \$10,000 pool for conducting compliance audits. Audits would be triggered when the City receives a complaint that in the City's opinion has merit. The pool would be replenished from time to time depending on the number of audits performed.

#### ***5. Require Non-Profit Organizations Competing with the Private Sector to be Subject to the Living Wage***

Currently, handicapped individuals, apprentices, and student interns are specifically exempt from the living wage ordinance. In addition, Section 9.128.000 (C) exempts other public entities and non-profits.

The Committee is concerned that there may be situations when a non-profit organization is bidding for a City contract for services and therefore has a

competitive advantage since it is not subject to the living wage. Although staff is not aware of such situations actually having occurred, for purposes of clarification it seems appropriate that the ordinance should be clarified.

The Committee recommends retaining the exemptions for handicapped individuals, apprentices, and student interns in Chapter 9.128.000 (A) and (B) and clarifying that non-profits be exempt except in those situations in which they are competing directly with for-profit businesses for City contracts.

## **6. *Pay all City Workers the Living Wage***

During the course of its evaluation, the Living Wage Advisory Committee found that the City pays some seasonal, hourly, workers in Units 17 & 18 less than a living wage.

The Committee believes the City of Santa Barbara should lead by example and pay living wages to all of its employees.

## **7. *Evaluating Cost of Bringing Services In-house***

The Committee also found that some service contracts had been terminated or not renewed and those duties were being performed by new hires of the City of Santa Barbara. In some cases the City made this decision because the contractor raised the fees to cover the Living Wage requirements and the City discovered that it could hire employees qualified to do that task plus more sophisticated duties for approximately the same hourly rate. However, the Committee feels that the City did not consider the actual cost to the City because the cost of benefits was not considered in their decision to bring services in-house. As discussed below, City staff has indicated to the Committee that the full cost of bring the services in-house are considered.

To ensure fairness, the Committee recommends that the accounting practices of the City should include the overhead costs of employees when evaluating the cost effectiveness before terminating a service contract and performing the services with new employees.

City staff has indicated to the Committee that the full, incremental, cost of an employee, including salary, benefits and any related overhead costs, is included in any consideration to bring services in-house.

## **8. *Increase Program Awareness***

The City includes Living Wage notifications in its bidding packages and required contractors to notify their employees but has done little outreach directly to potential workers.

The Committee recommends the City Council direct staff to research alternative outreach strategies, such as Public Service Announcements on TV, radio, and print media to increase awareness, along with the associated costs. Once staff has

developed alternative strategies, the Committee recommends staff return to the City Council for direction.

**FINANCIAL IMPACTS OF LIVING WAGE ORDINANCE ON CITY**

When the program was implemented in July 2006, there was no system in place for collecting the data to determine any increase in the costs of service provided as a result of the living wage requirements or to determine to what degree the living wage ordinance resulted in increased wages and/or benefits to employees working on City contracts. Although contractors were required to certify that they were aware of the Living Wage requirements before a purchase order was issued, they were not initially asked to provide cost or benefit information.

Consequently, staff conducted two surveys to collect cost and benefit information. One was sent to service providers and a second sent to human services grant applicants.

Incidentally, the Living Wage Certification Form was revised in August 2007 to request information on any cost impacts and the aggregate benefits provided to the employees.

**Survey of Service Providers**

The survey was mailed in August 2007 to ninety-seven (97) businesses that held living wage contracts between July 1, 2006 and June 30, 2007. Sixty-eight (68) responses were received and one survey was returned because the firm was no longer in business. Follow-up interviews were conducted as needed to clarify their responses.

The results of the survey are summarized below.

Number of Businesses that Responded	68
Number of workers that received a higher wage due to the Ordinance	80
Aggregate increased wages	\$ 250,744
Average increase in total wages per worker	\$ 3,134
Estimated Increased Costs Passed on to City	\$ 194,000

**Cost per Resident and Percent of Operating Budget**

City of Santa Barbara Residents in 2004	Estimated Impact to the City	Estimated Cost per Resident	City of Santa Barbara 2007 Operating Budget	Percentage of Operating Budget
90,305	\$194,000	\$2.15	\$ 243,939,864	0.08%

It is important to note that there are several factors that could affect the accuracy of survey results. These factors included the following:

1. The increased cost passed on to the City of \$194,000 is based solely on the data provided by the 68 survey respondents. City staff did not, and could not, verify these numbers or extrapolate the cost/benefit information for the 29 firms that did not respond.
2. In cases where respondents did not indicate how much of the increased costs were passed on to the City, the full cost was assumed to have been passed on to the City. For example, if a firm said that their cost increased as a result of the Living Wage Ordinance by \$5,000, but did not indicate how much, if any, of these increased costs were passed on to the City, the entire \$5,000 was used to calculate the costs passed on to the City. Thus, this calculation errs on the side of higher cost.
3. The number of employees working under a specific contract was not uniform for the duration of the contract – either because of the type of work performed or the seasonal nature of the work. Therefore, in some cases the survey respondents only gave a range of workers affected. In these cases, an average was calculated and rounded up to the next whole number. For example, if 10 to 15 employees benefited from living wages, 13 employees would be used in the calculation.

It is interesting to note that for those firms that responded, only two firms paid the lower wage tiers requiring the provision of health insurance and other benefits. Of these two firms, one has more recently increased their hourly wages to the highest rate because the insurance they offer does not meet the ordinance's requirements. Although better than the City's in some aspects, it does not match the overall benefits provided by the City to its own employees as required in the Ordinance. In addition, a few firms stated that when employees were given a choice of insurance or higher wages, the employees chose higher wages.

### **Fiscal Year 2010 Data**

Since the survey data is somewhat dated, staff compiled a cost and benefit table using responses from the Living Wage Certification form for fiscal year 2010. The results are summarized below:

Number of workers that received a higher wage due to Ordinance	83
Aggregate increased wages	\$128,692
Average increase in total wages per worker	\$1,550
Estimated Increased Costs Passed on to City	\$171,725

## Survey of Human Service Grant Applicants

A second survey was developed by the Community Development Department and approved in January 2008. The survey was sent to fifty-two (52) non-profit organizations that applied for human services grants to measure the effect of including an extra point for grant applicants that paid living wages. Twenty-nine (29) responses were received. The survey revealed two main points.

1. Non-profit agencies funded with Human Services/CDBG grants are currently paying the majority of their employees the Living Wage. The responses indicated that ninety-two percent (92%) of those employed full-time and sixty-nine percent (69%) of those employed part-time are being paid the equivalent of the City's living wage.
2. The Living Wage Incentive Program seems to have been somewhat of an incentive for non-profit agencies to pay the Living Wage. Thirteen of the nineteen agencies (68%) that received the extra rating point felt that it helped the overall rating and the competitiveness of their application. While no non-profit organizations changed their employee compensation practices in order to earn the extra point for qualifying for City grants, seven agencies (24%) reported that the Living Wage Incentive caused them to review and/or increase their salaries.

## Impacts of Living Wage on Airport Parking Management Contract

When the Living Wage Ordinance was implemented, the Airport Department had an existing contract for parking management services that was not subject to the Ordinance because the contract predated the adoption of the Ordinance. Subsequently, the Airport negotiated a contract extension from November 2007 through October 31, 2011, triggering the Living Wage requirements. As a result, the new contract was increased by \$150,000, spread across fifteen employees, in order to comply with the Ordinance, as shown below.

### Airport Parking Contract

Number of workers benefiting	15
Aggregate worker benefits	\$150,000
Average benefit per worker	\$10,000
Cost Increases due to Living Wages	\$150,000

## Overall Conclusion

It is difficult to calculate the on-going annual cost impacts of living wages because of the contracts are competitively awarded and many factors in addition to labor costs affect contract prices; but it would be safe to assume that the above cost increases would be somewhat permanent and that costs would increase by a portion or all of the annual

CPI increases made to the wage tiers. In addition, some contracts, such as the Airport parking concessions contract, were exempt from the Ordinance because the contract was competitively awarded and in place prior to the ordinance's adoption. As these contracts expire or are extended, they would become subject to the Ordinance and, therefore, the impacts would likely be more immediate and pronounced.

Not included in any of the cost analysis above are those incurred by City staff to administer the requirements of the Ordinance. These costs are difficult to estimate because the amount of time spent by staff was not being tracked, although some processes to track costs have been recently implemented. Annual administrative costs to the City for administration, education and enforcement are estimated at \$12,000, which includes 300 hours of City employees' time. Cost for audits is not included in the estimate, which can cost between \$3,000 and \$4,000 per audit.

## **OTHER IMPACTS AND CONSIDERATIONS**

Operating practices of some service providers were altered. Less skilled employees were replaced with employees requiring less supervision who are also able to produce equivalent results in less time.

The City has had one grievance that was submitted to the City Attorney prior to the Committee being formed and the grievance process implemented. To date, no grievances have been received. Audits are primarily complaint driven. Other cities and counties that have a living wage requirement use a similar methodology for auditing. This is due to the staffing, workloads, and the cost for conducting audits. Since the program has been in place for over two years with no audit conducted, three firms were selected in March 2008 for audits based on their service sectors and contract values for compliance with the City of Santa Barbara Living Wage Ordinance 9.128. As previously discussed, the auditors found that records examined did not provide a complete and clear representation of contractors' compliance with the ordinance. They found some example of possible manipulation of wage reporting and received responses that appeared inconsistent with normal business operating procedures. In addition, they received responses from the contractors that all necessary documentation was provided to verify compliance with the ordinance. While initial documentation requested of payroll summaries for the period under examination was necessary, additional detailed individual employee information is needed to clearly identify compliance.