



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: October 15, 2014 REPORT NO: 14-059

ATTENTION Economic Development and Intergovernmental Relations Committee
Agenda of October 22, 2014

SUBJECT: Living Wage Ordinance Annual Report for Fiscal Year 2014

REFERENCE: Living Wage Ordinance: San Diego Municipal Code Chapter 2, Article 2,
Division 42

REQUESTED ACTION: This is an information only item.

STAFF RECOMMENDATION: This is an information only item.

BACKGROUND:

This annual report describes administration of the Living Wage Ordinance [LWO] during Fiscal Year 2014 (July 1, 2013 – June 30, 2014). The LWO was adopted in June 2005 and became effective July 1, 2006. The Ordinance requires employers to compensate employees who perform work on applicable service contracts under a predetermined wage structure.

For reference, full text of the Living Wage Ordinance, *San Diego Municipal Code* [SDMC] *Chapter 2, Article 2, Division 42*, (Attachment A) is included with this report. A one-page summary of LWO applicability, exemptions, and requirements is also provided as *LWO Synopsis for Fiscal Year 2014* (Attachment B).

EXECUTIVE SUMMARY:

The Living Wage Program was moved into Purchasing & Contracting Department on July 1, 2013, the first day of Fiscal Year 2014. For the previous four years, the program had been situated in the now-dissolved Administration Department.

The Living Wage Ordinance was modified during Fiscal Year 2014 for only the second time since its inception. [See Chart 2.] To aid in the strengthened enforcement, an additional staff

position (Senior Management Analyst) was added to the budget effective July 1, 2015.

During Fiscal Year 2014, the Living Wage hourly rate was \$11.65 plus \$2.34 in health benefits for a total of \$13.99. This reflected a 1.6% cost-of-living increase from the prior calendar year. The LWO hourly rate for Fiscal Year 2015 is \$11.80 plus \$2.37 in health benefits for a total of \$14.17. During the nine years since passage of the Living Wage Ordinance, the hourly wage rate has increased \$2.17 (16.8%, the region's cost-of-living increase as published by the Department of Labor). [See Chart 3.]

A total of 149 LWO contracts were active in FY 2014 with a combined value of \$37,327,082, as measured by the Purchasing Agreement amount. Landscaping services were the largest portion (49% of all LWO contracts and 41% of LWO contract dollars). Sixty-eight covered employers held LWO contracts. [See Charts 5, 6, 7 and 8.]

LWO Compliance Reviews have been conducted for 35 firms since inception of the Ordinance. The reviews found 43% of examined firms underpaid covered employees and 40% did not provide required compensated leave time. Discrepancies were identified in 51.4% of all LWO Compliance Reviews. [See Charts 10, 11, 12 and 13.]

Ten LWO Employee Complaints were received during FY 2014, and all were found to be violations. Back pay in the amount of \$102,535 was recovered for covered employees. Additional back pay from Jani-King of California is being sought through a civil action by the City Attorney's Office; debarment proceedings are also being initiated against this contractor. In the history of the LWO, 57 LWO Complaints were investigated; 57.9% were found to be violations. Backpay in a total amount of \$385,853 has been recovered for employees. [See Charts 14, 15 and 16.]

Sixty-four covered employers (98.4%) submitted an Annual Contractor Compliance Report as required by SDMC section 22.4225(d). In response to an inquiry, 58% stated they believed the LWO reduced their firm's absenteeism or turnover; 58% also confirmed the LWO improved their firm's quality of service. [See Chart 17.]

The Living Wage Program continues to assist covered employers in meeting their obligations regarding the Living Wage Ordinance. The Program maintains thorough compliance information on Purchasing & Contracting Department's website. Annually, contractors are provided with direct correspondence outlining Ordinance requirements and notifying them of wage adjustments and any changes that may have occurred during the year. The LWO Program remains aggressive in investigations of allegations of noncompliance with the Ordinance. Additionally, the Program serves as a resource for all City departments with contracts for services.

Information in the Executive Summary is expanded upon in the body of this report.

LWO PROGRAM ADMINISTRATION DURING FISCAL YEAR 2014

LWO Administration

In accordance with SDMC §22.4235(a), *Rules Implementing the Living Wage Ordinance* (provided for Fiscal Year 2014 with this report as Attachment C) are posted on the City’s website at sandiego.gov/purchasing/programs/livingwage. Sections in the Rules clarify components of the LWO:

- Applicability;
- Exemptions;
- Employer Requirements;
- Recordkeeping and Reports;
- Monitoring and Investigation;
- Enforcement; and
- Employee Complaint Process.

Appendices to the *Rules* include relevant notices and forms:

- Current Living Wage Rates;
- LWO Notice to Employees (English, Spanish);
- Affordable Care Act information sheet (English, Spanish);
- Earned Income Tax Credit information sheet (English, Spanish);
- LWO Certification of Compliance form;
- LWO Application for Exemption form; and
- LWO Employee Complaint Form (English, Spanish).

Additional information is maintained on the City’s website and updated as required.

The Living Wage Program consists of two staff positions, one Supervising Management Analyst and one Senior Management Analyst; these positions also administer the City’s Equal Benefits Program. An additional Senior Management Analyst position was added for Fiscal Year 2015. Program staffing costs are shown in Chart 1, *LWO Program Staff Costs in FY 2014*.

CHART 1: LWO PROGRAM STAFF COSTS IN FISCAL YEAR 2014					
<u>Classification</u>	<u>Employees</u>	<u>Salary</u>	<u>Fringe</u>		<u>Total</u>
Supervising Management Analyst	1.00 FTE	\$79,261	+ \$65,028	=	\$144,289
Senior Management Analyst	1.00 FTE	\$69,647	+ \$54,473	=	\$124,120
TOTAL	2.00 FTE	\$148,908	+ \$119,501	=	\$268,409

LWO Program functions include: determination of applicability; investigation and resolution of complaints; performance of contract compliance reviews; compilation of annual compliance report from covered employers; record maintenance; provision of information in response to requests from contractors, workers, City Facility operators, the public, and City staff; and posting and distribution of informational materials including annual wage adjustment and *Rules*

Implementing the LWO.

The City Attorney’s Office expended staff time to support Living Wage enforcement during Fiscal Year 2014 by providing advice on issues upon request including detailed analysis and support during the process to modify the Ordinance. No litigation expenses were incurred during this fiscal year.

Modifications to the LWO

When the *Living Wage Annual Report for Fiscal Year 2013* was presented to the Budget and Finance Committee on October 30, 2013, the Committee directed staff to return with recommendations to clarify the Ordinance and strengthen its enforcement. Previously, the LWO had been modified only once before, in November 2008.

Subsequently, on January 15, 2014, staff presented the Committee with twenty-six proposed changes to the Ordinance; eleven were intended to clean up and clarify the language of the Ordinance and fifteen were intended to provide enforcement strength. These proposals were developed with input from the City Attorney’s Office and from various community-based organizations including the Center on Policy Initiatives, Maintenance Cooperation Trust Fund, Employee Rights Center, San Diego and Imperial Counties Labor Council, and the Interfaith Committee for Worker Justice. The Living Wage Program also engaged in discussions with the City of Los Angeles Living Wage Program and San Francisco’s Office of Labor Standards Enforcement.

The resulting modifications received unanimous support from the full City Council on January 28, 2014, with a second reading on February 10, 2014. Modifications became effective on March 28, 2014. The most important changes to the Ordinance are listed in Chart 2, *Living Wage Ordinance Modifications*:

CHART 2: LIVING WAGE ORDINANCE MODIFICATIONS	
<u>Municipal Code</u>	<u>Living Wage Ordinance Modification</u>
§ 22.4210(a)(1)	City service contracts are covered by the LWO regardless of value (the \$25,000 threshold was removed) as contracts are awarded, amended, renewed or extended.
§ 22.4210(c)	A prime service contractor must use its own employees to perform at least 50% of the work.
§ 22.4220(e)	When both Living Wage and Prevailing Wage apply, a covered employer must pay the higher rate (including hourly wages, health benefits, and compensated leave).
§ 22.4225(b)	With the first paycheck after July 1, a covered employer must annually distribute to covered employees the LWO Notice to Employees; the Affordable Care Act Notice; and the Earned Income Tax Credit Notice.
§ 22.4230(f-g)	If a covered employer violates the LWO two or more times in a two-year period, enforcement sanctions will be undertaken even if the violations were substantially cured; such sanctions may include contract termination, debarment, and fines (up to \$100 per day per covered employee for each violation).

Staff updated all forms and notices, posted new information on the City’s website, and informed

covered employers and City Facility operators of the changes through direct correspondence.

Annual LWO Wage Adjustment

SDMC §22.4220(b) stipulates an upward adjustment of hourly wage and health benefit rates to take effect each year on July 1 and requires new rates to be posted on the City’s website prior to April 1. This adjustment is based on the prior calendar year’s Consumer Price Index for All Urban Consumers for the San Diego–Carlsbad–San Marcos Metropolitan Statistical Area as published (in February) by the U.S. Department of Labor, Bureau of Labor Statistics.

Chart 3, *City of San Diego Living Wage Rates*, lists a history of LWO wage and health benefit rates.

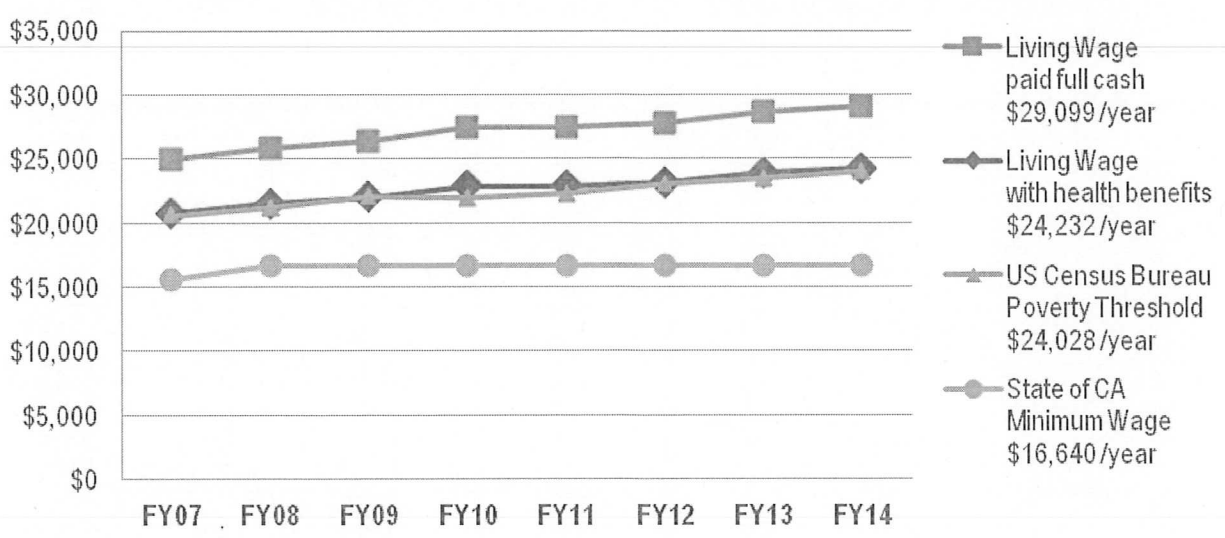
CHART 3: CITY OF SAN DIEGO LIVING WAGE RATES				
<u>Year</u>	<u>Effective Dates</u>	<u>Increase</u>	<u>Wage + Health Benefit</u>	<u>Full Cash Wage</u>
FY 2015	July 1, 2014 – June 30, 2015	1.3%	\$11.80 + \$2.37 /hr	\$14.17 /hr
FY 2014	July 1, 2013 – June 30, 2014	1.6%	\$11.65 + \$2.34 /hr	\$13.99 /hr
FY 2013	July 1, 2012 – June 30, 2013	3.0%	\$11.47 + \$2.30 /hr	\$13.77 /hr
FY 2012	July 1, 2011 – June 30, 2012	1.3%	\$11.14 + \$2.23 /hr	\$13.37 /hr
FY 2011	July 1, 2010 – June 30, 2011	0.0%	\$11.00 + \$2.20 /hr	\$13.20 /hr
FY 2010	July 1, 2009 – June 30, 2010	3.9%	\$11.00 + \$2.20 /hr	\$13.20 /hr
FY 2009	July 1, 2008 – June 30, 2009	2.3%	\$10.58 + \$2.12 /hr	\$12.70 /hr
FY 2008	July 1, 2007 – June 30, 2008	3.4%	\$10.34 + \$2.07 /hr	\$12.41 /hr
FY 2007	July 1, 2006 – June 30, 2007	N/A	\$10.00 + \$2.00 /hr	\$12.00 /hr

The Purpose and Intent (SDMC §22.4201) of the Living Wage Ordinance states, in part:

“It is the experience of the *City* that many of these services to the public and to the *City* are provided by workers who live at or below the poverty line. This division provides that when agreements ... are extended by the *City* to private *businesses* these taxpayer funded benefits are used in a way that advances the interests of the *City* as a whole, by creating jobs that keep workers and their families out of poverty.”

Chart 4, *Annual Earnings for Various Wage Rates*, compares annual incomes for Living Wage rates, California minimum wage rate and the U.S. Census Bureau’s poverty threshold.

CHART 4: ANNUAL EARNINGS FOR VARIOUS WAGE RATES

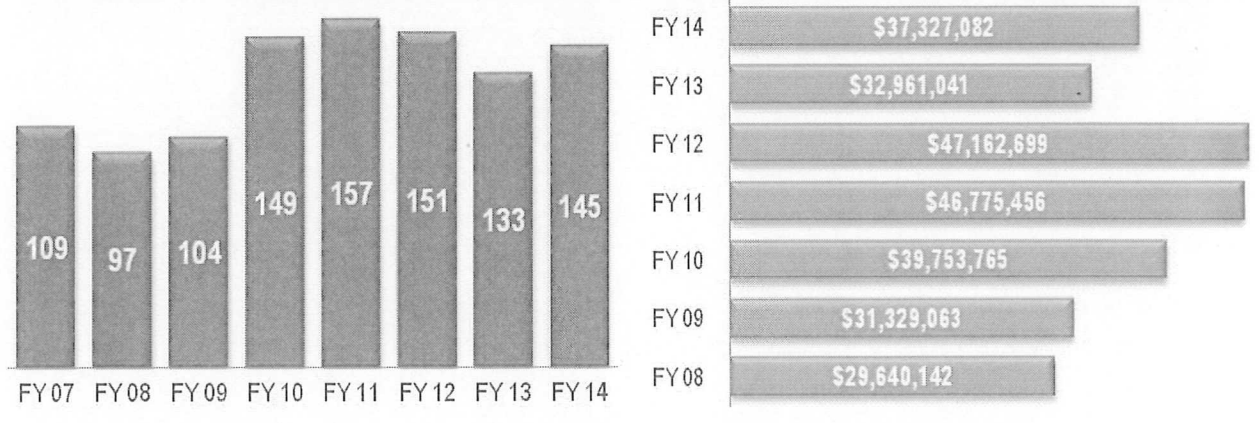


LWO Contracts

During Fiscal Year 2014, there were a total of 145 active LWO contracts with a value of \$37,327,082, as measured by the Purchasing Agreement amount.

Chart 5, *Number and Value of LWO Contracts in Prior Years*, compares totals during current and previous fiscal years. Values are total costs for Purchasing Agreements at time of award.

CHART 5: NUMBER AND VALUE OF LWO CONTRACTS IN PRIOR YEARS



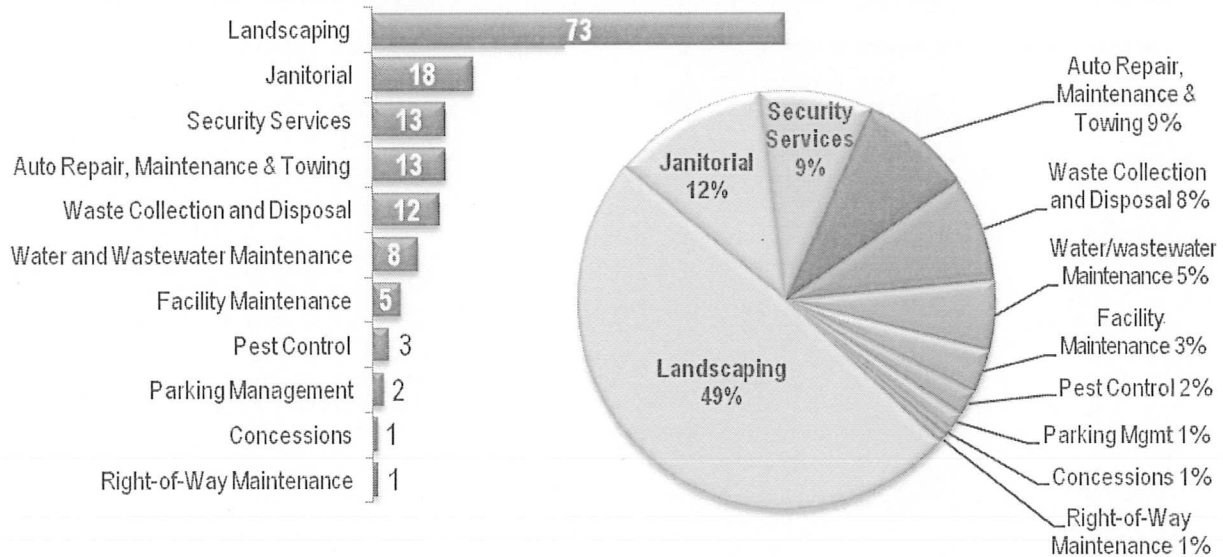
Detailed spreadsheets are provided as attachments to this report in three views:

- *LWO Contracts in Fiscal Year 2014, Sorted by Contract Number* [Attachment D];
- *LWO Contracts in Fiscal Year 2014, Sorted by Bid Number* [Attachment E]; and
- *LWO Contracts in Fiscal Year 2014, Sorted by Commodity Type* [Attachment F].

Chart 6, *Number of Living Wage Contracts in FY14*, shows a comparison of contracts for various

commodity types based on the number of contracts and the percentage of the total.

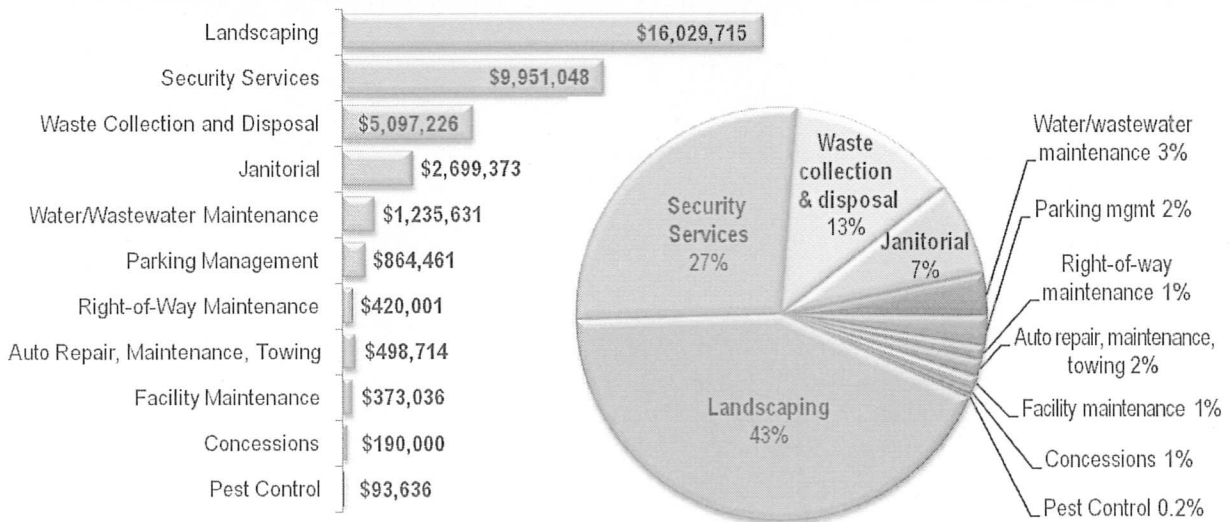
CHART 6: NUMBER OF LIVING WAGE CONTRACTS IN FY14



Landscaping contracts (73) were nearly half of all LWO contracts. The second largest commodity by number of contracts was Janitorial (18); followed by Security Services (13); Auto Repair, Maintenance and Towing (13); Waste Collection and Disposal (12); and Water and Wastewater Maintenance (8).

Chart 7, *Value of Living Wage Contracts in FY14* is a graphic representation of the value of contracts for various commodity types. The value is the Purchasing Agreement amount for each contract for the fiscal year.

CHART 7: VALUE OF LIVING WAGE CONTRACTS IN FY14



An analysis of contract costs shows that Landscaping (\$16,029,715) remained the greatest portion of LWO-covered contracts (41%). Security services were the second largest portion in value (\$9,951,048), followed by Waste Collection and Disposal (\$5,097,226). Janitorial services comprised the second greatest number of contracts and the fourth highest total value (\$2,699,373).

LWO Covered Employers

During Fiscal Year 2014, sixty-eight covered employers held LWO contracts. Detailed information is provided as attachments to this report in three views:

- *LWO Contracts in Fiscal Year 2014, Sorted by Contractors* [Attachment G];
- *LWO Contractors in Fiscal Year 2014, Sorted by Contractor Earnings* [Attachment H]; and
- *LWO Contractors in Fiscal Year 2014, Sorted by Total Number of Contracts for Each Contractor* [Attachment I].

All covered employers are listed in Chart 8, *LWO Covered Employers in Fiscal Year 2014*:

Chart 8: LWO COVERED EMPLOYERS IN FISCAL YEAR 2014		
A to Z Enterprises	Cortes Towing	Powerland Equipment, Inc
Able Patrol and Guard	Coverall Health Based Cleaning	Prizm Janitorial Services Inc
Acacia Landscape Company	Diamond Environmental Services	Quality Coast, Inc
Ace Parking Management, Inc	DMS Services	Qualityway Building Service
Advantage Towing	Elite Show Services	Reliable Tire Company
Allied Waste Services	Epic Pest Control	Road Works, Inc
American Towing	FRS Environmental Inc	San Diego Power Clean
Angelo's Towing & Recovery	G4S Secure Solutions	Securitas Security Services USA
Anytime Towing	Guardian Towing	So Cal Tree Care, Inc
Atlas Pumping Service	Jani-King of California, Inc	South Bay Fence, Inc
Aztec Landscaping, Inc	Kovatch Mobile Equipment Corp	T & T Janitorial
B & Z Builders, Inc	Landcare Logic	Terra Renewal
Blue Skies Landscape Maintenance	Landscapes USA, Inc	TP Janitorial Services
Brewer Lawn Maintenance, Inc	MEK Enterprises	Treebeard Landscape, Inc
Burns and Sons Trucking, Inc	Merchants Building Maintenance	Tried & True Corporate Cleaning
C&D Towing Specialists	Miller Environmental, Inc	United Pumping Service, Inc
Cannon Pacific	Nature's Image, Inc	United Sites Services of CA Inc
Cartwright Termite & Pest Control	Nissho of California, Inc	US Security Associates, Inc
Centerplate	NMS Management, Inc	Utility Tree Service, Inc
Clean Harbors Environmental	Ocean Blue Environmental Services	Ware Disposal
Complete Relocation Services, Inc	Patriot Environmental Services	West Coast Arborists, Inc
Contemporary Design Landscape	Pestmaster Services	Westturf Landscape Maintenance
Contemporary Services Corp	Ponderosa Landscape, Inc	

Chart 9, *Contractors with Highest Value and Number of LWO Contracts in FY14*, shows the highest-earning contractors' totals for LWO-covered contracts by dollar value and total contracts. Aztec Landscaping, Inc., held 20 contracts (13.4% of all LWO contracts) for a total value of \$4,315,417 (11.6% of the total LWO contract value).

CHART 9: CONTRACTORS WITH HIGHEST VALUE AND NUMBER OF LWO CONTRACTS IN FY14



During this fiscal year, no contractors requested an exemption from LWO requirements because their firm employed twelve or fewer employees in accordance with SDMC §22.4215(c)(1). Contractors do not receive a universal exempt status, but are granted exemptions on a per contract basis; sufficient documentation must be provided.

LWO Compliance Reviews

SDMC §22.4235(a) requires periodic reviews of appropriate records to verify compliance with LWO requirements. Proactive LWO Compliance Reviews are conducted as part of an integrative approach to ensure compliance through diligent oversight. The City strengthens working relationships with covered employers while identifying and resolving errors before they become longstanding. Compliance Reviews help ensure a level playing field for all participants in the City’s service contract bid process.

Contracts for review may be selected randomly or based on concerns of possible noncompliance; selection of a firm for review does not imply wrongdoing. During the review, payroll records, employee manuals, project files, and other documents, as needed, are examined by LWO Program staff. At the job site, staff conducts interviews with covered employees in English or Spanish. Discrepancies, if identified, are resolved before a Compliance Review is closed out. At conclusion, the subject firm receives a report of Compliance Review findings. A response is required from the firm within 30 days to affirm the findings and its intent to follow recommendations, if any.

Chart 10, shows *LWO Contract Compliance Reviews in Fiscal Year 2014*:

CHART 10: LWO CONTRACT COMPLIANCE REVIEWS IN FISCAL YEAR 2014			
<u>Review</u>	<u>Firm</u>	<u>Result</u>	<u>Backpay</u>
#R14-001	So Cal Tree Care, Inc	Discrepancies found	\$329
#R14-002	Eric J Friend	No discrepancies found	--
#R14-003	Coverall Health Based Cleaning	Discrepancies found	\$1,577
#R14-004	Aztec Landscaping, Inc	No discrepancies found	--
#R14-005	Landcare Logic	Discrepancies found	<u>\$380</u>
TOTAL	5 REVIEWS	3 FIRM WITH DISCREPANCIES	\$2,286

Over the years, LWO Program staff have conducted a total of 35 Compliance Reviews as summarized in Chart 11, *Annual Record of LWO Compliance Reviews*:

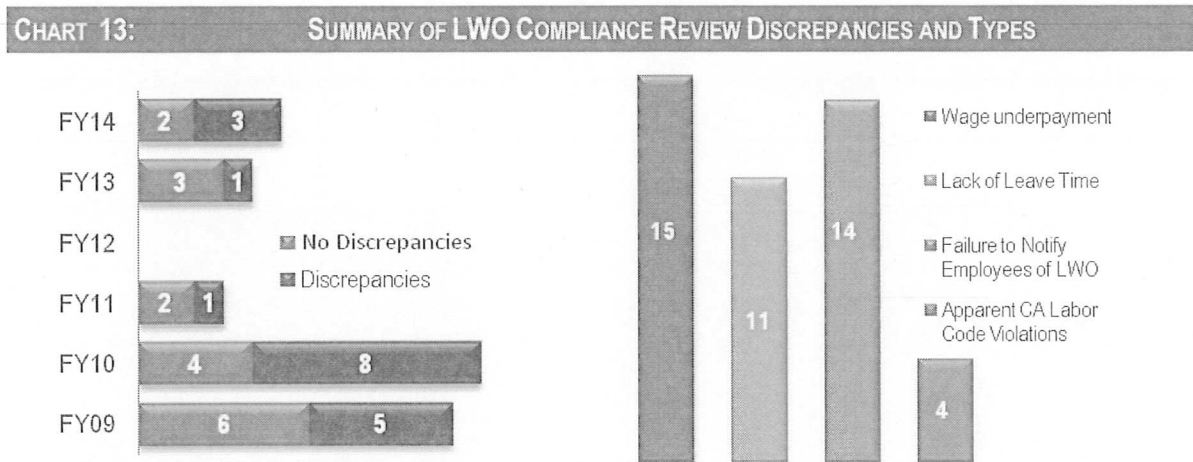
CHART 11: ANNUAL RECORD OF LWO COMPLIANCE REVIEWS				
	<u>Reviews</u>	<u>No Discrepancies</u>	<u>Discrepancies</u>	<u>Funds Recovered</u>
FY 2014	5	2	3	\$2,286
FY 2013	4	3	1	\$0
FY 2012	0	--	--	--
FY 2011	3	2	1	\$0
FY 2010	12	4	8	\$8,906
FY 2009	<u>11</u>	<u>6</u>	<u>5</u>	<u>\$28,019</u>
TOTAL	35	17	18	\$39,221

More than half (51.4%) of LWO Compliance Reviews found discrepancies. These include wage underpayment; failure to allocate 10 compensated leave days per year; lack of method to track accrual of leave time; and failure to notify covered employees of their LWO rights.

Chart 12, *Summary of LWO Compliance Review Violation Types*, lists the different LWO requirements found to be violated and shows number of times each violation was found to occur:

CHART 12: SUMMARY OF LWO COMPLIANCE REVIEW VIOLATION TYPES			
<u>Municipal Code</u>	<u>Requirement</u>	<u>Violations</u>	<u>% of Reviews</u>
§22.4220(a)	Pay covered employees specified wage and benefits	15	43%
§22.4225(b)	Notify covered employees of LWO requirements	11	31%
§22.4220(c)	Provide minimum 10 compensated leave days per year	14	40%
Other	CA Labor Code	4	11%

A graphical summary of these findings is presented in Chart 13, *Summary of LWO Compliance Review Discrepancies and Types*:



LWO Complaints

The LWO Program is required by SDMC §22.4230(e) to investigate and address an alleged LWO violation within 60 days, with reasonable 30-day extensions. Resolution of Employee Complaints includes: complaint receipt and written acknowledgement to claimant and firm; investigation, including review of records and interviews; issuance of determination of violation or non-violation; and, when required, calculation of back pay and verification of payment. If a complaint is not resolved within 60 days, the claimant and the subject receive status updates from the Living Wage Program every 30 days until completion.

Ten LWO Employee Complaints were received during Fiscal Year 2014 and all were found to be violations, as shown in Chart 14, *LWO Complaints in Fiscal Year 2014*:

CHART 14: LWO COMPLAINTS IN FISCAL YEAR 2014

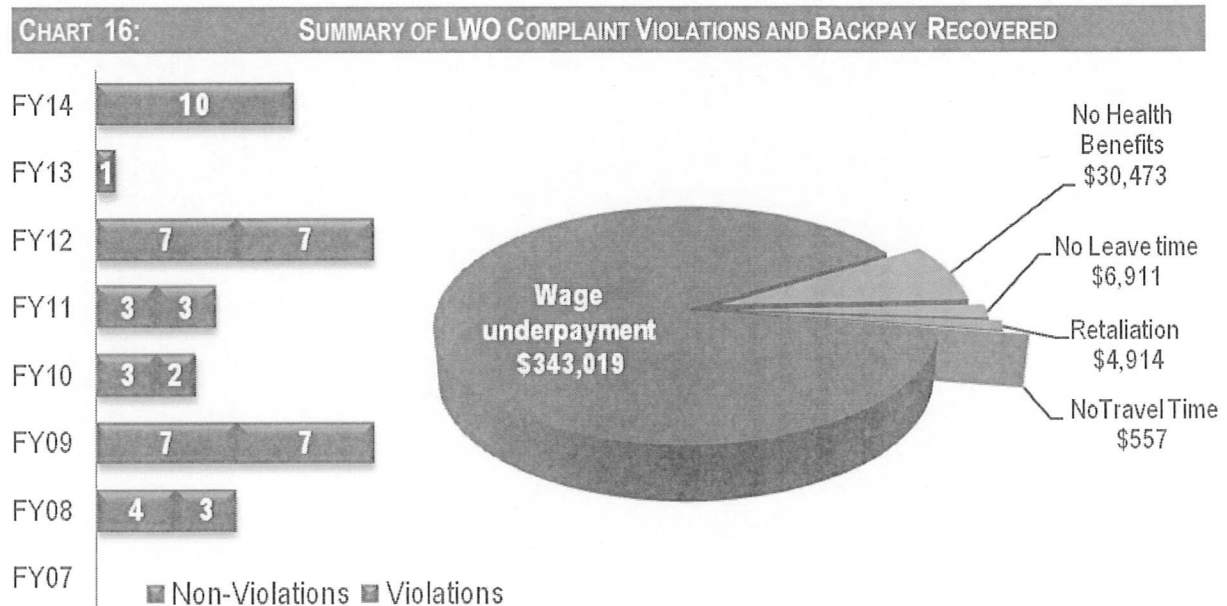
<u>Complaint</u>	<u>Allegation</u>	<u>Result</u>	<u>Back Pay</u>
#C14-001	Nonpayment of LWO rates	Violation	\$6,313
#C14-002	Nonpayment of LWO rates	Violation	
#C14-003	Nonpayment of LWO rates	Violation	\$54,474
#C14-004	Nonpayment of LWO rates	Violation	combined
#C14-005	Nonpayment of LWO rates	Violation	\$25,282
#C14-006	Nonpayment of LWO rates	Violation	\$15,831
#C14-007	Nonpayment of LWO rates	Violation	\$150
#C14-008	Nonpayment of LWO rates	Violation	TBD
#C14-009	Nonpayment of compensated leave time	Violation	\$485
#C14-010	Nonpayment of LWO rates	Violation	TBD
TOTAL	10 COMPLAINTS	10 VIOLATIONS	\$102,535

During Fiscal Year 2014, two complaints (#C14-008 and #C14-010) were filed against Jani-King of California for underpayment of janitors at Qualcomm Stadium. The Living Wage Program determined violations occurred, but the contractor refused to cooperate. In accordance with the Living Wage Ordinance, the City Attorney's Office is initiating a civil action against Jani-King of California, and Purchasing & Contracting Department has requested convening of a Debarment Hearing Panel.

Chart 15, *Annual Record of LWO Employee Complaints*, lists LWO Employee Complaints since inception of the Ordinance:

CHART 15: ANNUAL RECORD OF LWO EMPLOYEE COMPLAINTS				
	Complaints	Non-Violations	Violations	Back Pay
FY 2014	10	0	10	\$102,535
FY 2013	1	1	0	\$0
FY 2012	14	7	7	\$6,696
FY 2011	6	3	3	\$11,669
FY 2010	5	3	2	\$224
FY 2009	14	7	7	\$211,888
FY 2008	7	3	4	\$52,841
FY 2007	0	0	0	\$0
TOTAL	57	24	33	\$385,853

Chart 16, *Summary of LWO Complaint Violations and Backpay Recovered*, exhibits trends for the number of complaints (57) and back payment amounts (\$385,853 total) during the history of the Ordinance.



Over half (57.9%) of all LWO Employee Complaints in the history of the Ordinance have been found to be violations. When measured by amount of back payment, the majority of violations were for Wage Underpayment (88.9%). Nonpayment of Health Benefits (7.9%) comprised the next largest category. Lack of Compensated Leave Time (1.8%) and Retaliation (1.3%) followed. One small amount (0.1%) was recovered when an employer did not pay LWO rates for covered employees' time spent traveling to and from the jobsite.

Contractor Compliance Reports

Covered employers are required to complete an annual Contractor Compliance Report in accordance with SDMC §22.4225(d). The Living Wage Program distributed a single-page form to all covered employers with active LWO contracts in April 2014. This Contractor Compliance Report was included in a packet sent to each firm with:

- notice of the annual wage increase;
- request for a newly-signed *LWO Certification of Compliance* for active contracts ;
- updated *LWO Notice to Employees*;
- information sheet for the Earned Income Tax Credit, in English and Spanish;
- information sheet for the Affordable Care Act, in English and Spanish; and
- description of modifications to the Ordinance that became effective in March 2014.

Results are shown in Chart 17, *Annual Compliance Report Responses from Covered Employers*:

CHART 17: ANNUAL COMPLIANCE REPORT RESPONSES FROM COVERED EMPLOYERS		
	<u>Number</u>	<u>Percent</u>
LWO covered employers who submitted Contractor Compliance Report	63	98.4%
Number of LWO covered employees	2,304	29.4%
LWO covered employers offering health benefit option	33	52.3%
LWO covered employees receiving health benefits	778	33.8%
Covered employers reporting LWO improved firm's quality of service	37	58.7%
Covered employers reporting LWO reduced absenteeism or turnover	37	58.7%

Responses reflect self-reporting by contractors.

City Facility Agreements

LWO requirements are applicable to contracts and subcontracts at City facilities, in accordance with SDMC §22.4210(a)(4). City facilities are defined in the ordinance as Petco Park, Qualcomm Stadium, San Diego Sports Arena, San Diego Convention Center, San Diego City Concourse, and San Diego Civic Theatre.

As soon as the wage adjustment amount becomes available, LWO Program staff sends correspondence to notify City facilities. Prior to the start of the fiscal year, the Living Wage Program sends a notice to each City facility to remind them of the adjusted wage rate, re-state their obligations regarding LWO requirements, request signed *LWO Certification of Compliance*

forms for contractors and subcontractors, and offer assistance. Throughout the year, contact is maintained to support City facilities in understanding and attaining LWO compliance.

During Fiscal Year 2014, three LWO Complaints were alleged at City facilities; all were found to be violations. Over the years, there have been nine LWO Employee Complaints filed for City facilities; prior to this year, none had resulted in a violation.

Financial Assistance Agreements

LWO requirements are applicable to certain financial assistance agreements for (a) economic development, job creation, or job retention or (b) tourism, arts, and cultural programs, in accordance with SDMC §22.4210(a)(2-3). To date, this section has been found to apply in only one instance. The San Diego Tourism Marketing District requested and received exemption status with less than twelve employees; subcontractors have provided *LWO Certifications of Compliance* or requested exemption approval.

FISCAL CONSIDERATIONS: There was a 1.6% upward adjustment of LWO wages for Fiscal Year 2014. During the nine years since passage of the Living Wage Ordinance, the hourly wage rate increased \$2.17 (16.8%, the region's cost-of-living increase as published by the Department of Labor). All bidders must pay the same wage rates, and a successful low bid is the result of increased efficiencies or a narrower profit margin rather than suppressed wages.

PREVIOUS COUNCIL and/or COMMITTEE ACTION: None regarding this report.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS: The City continues to provide convenient access to LWO information for contractors and workers. The Living Wage Program maintains accurate, up-to-date information on the Purchasing & Contracting Department's website, including Municipal Code text, *Rules Implementing the LWO*, all forms and notices (most with Spanish translations), and all past annual reports on LWO administration. Brochures summarizing LWO requirements are available. Living Wage Program staff present at citywide Purchasing & Contracting Department workshops entitled "How to Do Business with the City."

Various community-based organizations maintain an active interest in the City's LWO administration including the Center on Policy Initiatives, the Maintenance Cooperation Trust Fund, and the Interfaith Committee for Worker Justice. During Fiscal Year 2014, the Living Wage Program maintained working relationships with representatives from the Department of Industrial Relations, Division of Labor Standards Enforcement; County of San Diego District Attorney's Office, Insurance Fraud Division; and San Francisco's Office of Labor Standards Enforcement Manager.

KEY STAKEHOLDERS AND PROJECTED IMPACTS: Key stakeholders for the LWO remain the City of San Diego citizens, covered employees, and covered employers. The City's Living

Wage Program employs efficient methods to provide information about the Living Wage Ordinance, monitor compliance with ordinance requirements, assist covered employers in meeting their obligations, and conduct investigations in response to allegations of noncompliance.

Official version signed by

Dennis Gakunga, Director
Purchasing & Contracting Department

Official version signed by

Ronald H. Villa
Deputy Chief Operating Officer

- Attachment A: San Diego Municipal Code Chapter 2, Article 2, Division 42
- Attachment B: LWO Synopsis for Fiscal Year 2014
- Attachment C: Rules Implementing the Living Wage Ordinance (for Fiscal Year 2014)
- Attachment D: LWO Contracts in Fiscal Year 2014, Sorted by Contract Number
- Attachment E: LWO Contracts in Fiscal Year 2014, Sorted by Bid Number
- Attachment F: LWO Contracts in Fiscal Year 2014, Sorted by Commodity Type
- Attachment G: LWO Contracts in Fiscal Year 2014, Sorted by Contractors
- Attachment H: LWO Contracts in Fiscal Year 2014, Sorted by Total Contract Value
- Attachment I: LWO Contracts in Fiscal Year 2014, Sorted by Total Number of Contracts for Each Contractor