

Memorandum



DATE May 2, 2008

TO The Honorable Mayor and Members of the Dallas City Council

SUBJECT Briefing – Current Wage Provisions for City Contracts

The attached briefing on Current Wage Provisions for City Contracts is scheduled to be briefed at your May 7, 2008 meeting.

Should you require additional information, please let me know.



David Cook
Chief Financial Officer

c: Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Thomas P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Judge Jay Robinson
Ryan S. Evans, First Assistant City Manager
David Brown, Interim Assistant City Manager
A.C. Gonzalez, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Ramon F. Miguez, P.E., Assistant City Manager
Chandra Marshall-Henson, Assistant to the City Manager



Current Wage Provisions for City Contracts



City Council Briefing May 7, 2008

Purpose

- Present Council with an overview of current practices utilized by the City on labor related contracts
- Provide fiscal impact of mandating wage minimums on City contracts that we currently allow the market to determine
 - Using Sanitation Temporary Labor (contract) results from the recent contract bid in November 2007 which utilized a two-tiered system

Background

- In Aug. '07 and Jan. '08 Councilmembers discussed the potential of incorporating a wage minimum provision on contracts
- The City Manager committed to bring the full issue to Council for discussion

Background (cont'd)

- Federal Minimum Wage – History

\$5.15	Prior to July 24th, 2007
\$5.85	July 24th, 2007
\$6.55	July 24th, 2008
\$7.25	July 24th, 2009

- These three changes will increase the federal minimum wage by 41%
 - All labor related contracts must meet the Federal Minimum Wage requirements

Types of Contracts

- There are four primary types of labor related contracts
 1. Janitorial Services
 2. Temporary Labor
 3. Security Services
 4. Construction Projects

1 - Janitorial Services

On some janitorial contracts, we include a minimum wage stipulation above the Federal Minimum Wage

- Higher wages are utilized in locations where an improvement in service level were needed or where specialization is required (i.e.: City Hall, Meyerson, Convention Center)

2 - Temporary Labor

On some temporary labor contracts, we require a minimum wage stipulation, above the Federal Minimum Wage, where we believe doing so may result in a required higher level of trained staff, and a required higher level of service delivery

- Higher wage was used in locations that have specialized needs (i.e.: Set-up for Convention Center, Personnel Service)

3 - Security Services

On all security services contracts, we include a minimum wage stipulation above the Federal Minimum Wage on all City contracts due to the significant responsibility, required judgment, potential for citizen interaction and training requirements necessary to perform these functions

- We use contract security services at Fair Park, Libraries, Convention Center, Water facilities and Oak Cliff Municipal Center, etc.

4 - Construction Projects

- Texas statutes require any public body awarding any contract for public works to ascertain the general prevailing wage rates which were last adopted by Council on August 11, 2004
- Federal law (Davis-Bacon Act) requires the same on all federally funded projects
- City has NO option for construction related contracts

Fiscal Impact

- Recent Sanitation Temporary Labor bid included a two-tier bid option
 - 1 – Three year cost based on market wages - \$9,874,183
 - Based on Federal Minimum Wage
 - 2 - Alternate bid based on paying minimum of \$8.16 per hour - \$11,391,081
 - \$8.16 per hour City's lowest part-time rate
- Results stipulating \$8.16 per hour minimum caused a 15.36% increase in price
 - \$1,516,898 difference over the term of the agreement
- Council authorized bid based on market wages

Fiscal Impact (cont'd)

- If we wanted to establish a consistent policy and include minimum wage level above the Federal Minimum Wage to all contracts
- Applying the 15.36% differential represented by the recent Sanitation temporary labor bid to all contracts that do not currently require wages over the federal minimum wage would cost the City approximately \$683,465 annually (appendix)
- Additional cost could be recovered with one of the following options:
 - Sanitation fee increase of \$0.17 per month
 - Increase from \$19.53 to \$19.70
 - Largest labor contract – Sanitation Temporary Labor
 - Increasing the tax rate by .02 cents for all other General Fund contracts

Summary – Current Contracts

	Janitorial Services	Temporary Labor	Security Services	Construction Projects
Allow market to determine wage – Must meet Federal Minimum Wage	X	X		
Specify wage minimums above the Federal Minimum Wage	X	X	X	
Prevailing wage - Texas Statues				X
Prevailing wage – Federal Davis-Bacon Act				X

Historical Rationale

- Labor contracts that require citizen interaction and/or a higher level of experience, a wage minimum is specified to ensure a higher quality of service
- On other contracts, the City allows the market to determine wages

Employment Opportunities

- City funds currently support three tiers of employment

Outside Vendor (Temp. Contracts)	City of Dallas – Permanent Part-time Employee	City of Dallas – Full Time Employee
Pay at least the Federal Min Wage - \$5.85	\$8.16 hr	\$10.20 hr + plus benefits

- Additionally, the City has many employment opportunities for interested parties who seek part-time or full-time employment
- Full-time positions offer benefits not available in most part-time and contract labor positions

Research

- BDPS contacted 54 agencies requesting information on their current contract practices relating specifically to hourly rate contracts
- Received 11 responses to our survey
 - Miami, FL
 - Duncanville
 - Garland
 - Lancaster
 - Arlington
 - Birmingham
 - San Antonio
 - Killeen
 - DISD
 - DFW Airport
 - El Paso

Research (cont'd)

- Of the 11 entities that responded, 4 specify rates above the federal minimum wage for some labor contracts
 - Miami
 - All contracts
 - San Antonio
 - Only on security guard services
 - DFW Airport
 - Used on some janitorial contracts
 - Birmingham, Alabama
 - All contracts
- The remaining 7 entities
 - Did not specify a minimum wage for labor-related contracts
 - Simply allowed the market and specifications to determine the wages the contractor's pay their employees

Conclusion

- Each contract specification is reviewed independently to determine whether or not to include a wage requirement above the Federal Minimum Wage
 - Part of this review is the City's historical performance on the contract and specialization
- If the City required a minimum wage, above the Federal Minimum Wage, of \$8.16 on all labor contract we project a cost increase of \$683,465 per year
- City has NO option to remove wage minimum requirements for construction related contracts due to state and federal statutes

Appendix - Current Contracts Only Requiring Min. Wage

Commodity	Term	Total Award	Annual	Annual Variance (15.36%)	Annual Total w/variance
Janitorial DFD Training Facility	60 months	\$152,085	\$30,417	\$ 4,672	\$35,089
Janitorial - WIC	36 months	\$269,964	\$89,988	\$13,822	\$103,810
Janitorial - Park & Recreation	36 months	\$393,120	\$131,040	\$20,128	\$151,168
Temporary City Labor	36 months	\$2,720,409	\$906,803	\$139,285	\$1,046,088
Temporary Labor, Sanitation	36 months	\$9,874,183	\$3,291,394	\$505,558	\$3,796,953
		\$13,409,761	\$4,449,642	<u>\$683,465</u>	\$5,133,108

Appendix - Current Contracts Requiring Wages above Min. Wage

Commodity	Term	Total Award	Annual	Savings From Removing Min. Wage (5%)	Annual Total w/variance
Janitorial City Hall & Districts	60 months	\$11,043,637	\$2,208,727	\$110,436	\$2,098,291
Janitorial – Jack Evans Facility	60 months	\$2,756,389	\$551,278	\$27,564	\$523,714
Janitorial – Jack Evans Garage	60 months	\$181,000	\$36,200	\$1,810	\$34,390
Janitorial - OCMC	60 months	\$1,162,776	\$232,555	\$11,628	\$220,927
Janitorial – Municipal Court	60 months	\$1,747,326	\$349,465	\$17,473	\$331,992
Janitorial – Central Service Center	60 months	\$1,548,470	\$309,694	\$15,485	\$294,209
Janitorial – Convention Center	36 months	\$13,731,475	\$4,577,158	\$228,858	\$4,348,300
Janitorial – Meyerson, LLS, WRR	36 months	\$2,475,682	\$825,227	\$41,261	\$783,966
Security Guard, Citywide	48 months	\$17,281,243	\$4,320,311	\$216,016	\$4,104,295
Security Guard, Fair Park	48 months	\$1,668,150	\$417,038	\$20,852	\$396,186
Security Guard, libraries	48 months	\$2,792,850	\$698,213	\$34,911	\$663,302
Security Guard, DWU	24 months	\$4,018,335	\$2,009,168	\$100,458	\$1,908,709
Security Guard, Convention Center	48 months	\$9,879,563	\$2,469,891	\$123,495	\$2,346,396
Labor, set-up for CCT	36 months	\$2,224,185	\$741,395	\$37,070	\$704,325
Temporary Clerical Services	36 months	\$3,981,390	\$1,327,130	\$66,357	\$1,260,774
TOTAL		\$76,492,471	\$21,073,449	\$1,053,672	\$20,019,777