



December 10, 2013

Matthew H. Hymel
COUNTY ADMINISTRATOR

Mona Miyasato
CHIEF ASSISTANT
COUNTY ADMINISTRATOR

Board of Supervisors
County of Marin
San Rafael, CA 94903

**Re: Living Wage Ordinance (LWO) Annual Report for FY 2012-13;
Consideration of 2014 LWO Cost of Living (COLA) Adjustment**

Marin County Civic Center
3501 Civic Center Drive
Suite 325
San Rafael, CA 94903
415 473 6358 T
415 473 4104 F
CRS Dial 711
www.marincounty.org/cao

RECOMMENDATION

It is recommended that your Board review and accept the Living Wage Ordinance Annual Report for FY 2012-13; including allowing automatic cost of living (COLA) adjustment for 2014.

BACKGROUND

The Living Wage Ordinance (LWO) was implemented effective July 1, 2002. It states that "the County Administrator will provide annual reports to the Board of Supervisors on the implementation and effect of the Living Wage Ordinance." Each year, County departments are surveyed regarding the impact of the LWO, if any, upon their services or operations and the County Administrator reports on these findings. In addition, the County Administrator makes recommendations regarding any LWO wage rate adjustment for the ensuing calendar year. While the LWO includes a component requiring an automatic COLA increase based upon the October-to-October increase in the Bay Area Consumer Price Index (CPI), it also requires a recommendation from the County Administrator incorporating financial conditions.

The LWO wage rate was last increased effective January 1, 2013 to the current \$10.35 per hour with health benefits, and \$11.90 per hour without benefits. The Bay Area Consumer Price Index (CPI) increased by 1.6% from October, 2012 to October, 2013. In this report, we present your Board two options for your consideration regarding a potential COLA adjustment consistent with the requirements of the LWO – one implementing a COLA effective January 1, 2014 and one foregoing a COLA. We are recommending implementation of the COLA effective January 1, 2014.

If your Board takes no action to forgo a COLA, rates will be automatically increased to \$10.50 per hour including benefits, or \$12.10 per hour not including benefits. If your Board takes action to forgo a COLA, rates would remain unchanged at \$11.90 per hour (non-benefitted) and \$10.35 per hour if health benefits are provided.

We also update your Board annually on any statutory or budget changes impacting the In-Home Supportive Services (IHSS) program.

ANNUAL REVIEW

Consistent with previous years, departmental input was solicited as to any impact upon services or operations as a result of the LWO in FY 2012-13. No significant or

unexpected cost increases or reductions in level of service have been reported. No complaints were filed regarding compliance.

The County organization as a whole continues to do an excellent job of incorporating the LWO into its work processes. Contract managers throughout the county are aware of the requirements and generally report few issues or negative impacts to the services they provide. In an effort to assure continued compliance with the LWO, the County Administrator's office acts as a resource to Department Heads, Assistant Department Heads and Administrative Professionals.

POLICY CONSIDERATIONS

In-Home Supportive Services (IHSS) and the LWO Rate

As reported in previous years, the adjustment of wages for approximately 1,200 IHSS service providers in 2002 represented by far the most significant impact of the LWO. The IHSS Public Authority has consistently reported that these wage and benefit increases improved recruitment and retention efforts for providers. Today there are over 1,300 IHSS providers serving Marin residents.

For informational purposes, per a recent California Association of Public Authorities for IHSS (CAPA) survey of California counties, Marin's IHSS wage rate remains the highest IHSS provider wage among our comparison counties, due in part to the wage floor established by our LWO. Among all 58 California counties surveyed, only Santa Clara County at \$12.20 per hour is higher. The chart below summarizes hourly rates for IHSS providers among our comparison counties:

Current IHSS Provider Rates (as of January, 2013)	
Comparison Counties	Current Hourly Wage
Marin*	\$12.10
Sonoma	\$11.65
Napa	\$11.50
Santa Cruz	\$11.50
Monterey	\$11.50
San Mateo	\$11.50
Santa Barbara	\$10.00
San Luis Obispo	\$10.00

The Coordinated Care Initiative and the IHSS Program

Given the approximately 1,300 providers impacted by the LWO, the IHSS program has traditionally represented a significant factor for the County when considering the fiscal impact of the LWO.

As part of the FY 2012-13 State budget, the State implemented the 'Coordinated Care Initiative' (CCI), which included a number of changes to the IHSS program - including statewide collective bargaining for IHSS and the creation of a County IHSS Maintenance of Effort (MOE) – both of which impact the IHSS program.

Statewide Collective Bargaining for IHSS

SB 1036 and AB 1471 transferred collective bargaining to the State in 2013 – with eight counties participating in an expanded pilot project in 2013. With this change, the State formed a single joint powers authority (JPA), called the California In-Home

Supportive Services Authority, to be the employer of record for IHSS providers. Authority to negotiate IHSS workers' wages and benefits will transfer from counties, including the IHSS Public Authority of Marin, to the State.

While Marin County is not included among the initial eight pilot counties, the Legislature has stated its intent to expand the CCI to all 58 counties within the next several years. Marin County is anticipated to be included in the second of three phases of implementation, which could happen in 2015 or 2016.

Maintenance of Effort (MOE) Based on FY 2011-12 Expenditures

SB 1036 and AB 1471 also established a County maintenance of effort (MOE) based on FY 2011-12 actual expenditures in-lieu of a nonfederal share of cost in the program. This MOE requirement applies to all 58 counties.

Because collective bargaining will be transferred to the State, and because Marin County incurred a MOE based on FY 2011-12 expenditures, we do not expect to face the same exposure previously faced when the State threatened to reduce or withdraw its participation in the IHSS program. A County MOE should create relatively greater certainty in IHSS net county costs going forward.

While a 1.6% CPI increase effective January 1, 2014 would increase net county costs relative to the IHSS MOE on an ongoing basis, estimated to cost an additional \$250,000 ongoing, the County should not face the same exposure as in previous years of up to an additional \$3 million annually, due to the floor established by the LWO, were the State to reduce its participation to the minimum wage. The recommended CPI adjustment will, however, increase County costs beyond the new MOE.

Update on Bargaining Between IHSS Public Authority and SEIU

The contract between the IHSS Public Authority and SEIU-United Healthcare Workers-West expired December 31, 2010 but was rolled over into 2011 and again into 2012 pending further labor negotiations. The IHSS Public Authority of Marin and SEIU are near completion of a new contract for the period of July 2013 to December 2014. The new contract includes minor changes while incorporating any LWO wage adjustments going forward, and also splits the health care cost increases equally between members and the Authority. A re-opener is included once the impacts of the Affordable Care Act are better known.

COST OF LIVING ADJUSTMENT

Your Board has the option to forego a LWO COLA for the ensuing calendar year based upon financial conditions, a determination informed by a recommendation from the County Administrator as a component of the annual report on the living wage. The LWO wage rate was last increased effective January 1, 2013 to the current \$10.35 per hour with health benefits, and \$11.90 per hour without benefits. Your Board has two options for consideration regarding a potential 1.6% COLA effective January 1, 2014:

Staff Recommendation: Based on your Board's past policy direction, we are recommending allowing the LWO to automatically increase the LWO rate consistent with the October-October change in the Bay Area CPI effective January 1, 2014. The adjusted LWO rates, inclusive of the 1.6% COLA, would be \$10.50 per hour

including benefits, or \$12.10 per hour not including benefits. This would result in additional ongoing General fund costs of approximately \$250,000 annually for Marin's approximately 1,300 IHSS providers.

While there are only about 30-40 active employees in the County at the living wage rate on an annualized basis, with an estimated fiscal impact of less than \$2,500 annually assuming a 1.6% COLA, there could also be compaction issues with the Firefighter II seasonal classification. Being an extra hire classification, there are no positions allocated. Based upon an estimated annual number of incumbents, a 1.6% COLA could result in approximately \$3,800 added cost for County employee compaction issues. In total, there would be an annual cost of up to \$6,300 for County employees.

Given that our multi-year budget projections include known COLAs for staff through June, 2015, staff recommends a CPI adjustment effective January 1, 2014 to increase rates to \$10.50 per hour including benefits, or \$12.10 per hour not including benefits, despite the additional cost relative to the County's IHSS MOE.

We will advise contract managers to ensure their LWO-eligible contractors comply with the new rates effective January 1st. Because IHSS providers are paid by the State, staff will work with the California Department of Social Services to implement the change at the earliest possible date, expected to be February 1st. We are also requesting approval to revise salary ranges of the County classifications directly impacted by the increase.

Alternative Option: Take action today to forgo a COLA adjustment to the LWO rate effective January 1, 2014. In light of the increased cost relative to the County's IHSS MOE as we transition to the new statewide public authority, as well as anticipated additional costs relating to some County employees, rates would remain unchanged at \$11.90 per hour (non-benefitted) and \$10.35 per hour if health benefits are provided.

FISCAL IMPACT

The fiscal impact of approving staff's recommendation to allow an automatic 1.6% increase to the LWO wage rate effective January 1, 2014 is additional General Fund costs of up to \$128,000 for 2014, with estimated annual costs of up to \$256,000 in subsequent years including County employee impacts. Increasing the LWO wage rate as recommended today for approximately 1,300 IHSS providers would increase County costs relative to the IHSS MOE on an ongoing basis by \$256,000 annually.

If your Board should have any questions, please feel free to contact Jacalyn Mah of my office at 473-6358, or you may contact me directly.

Sincerely,



Jacalyn Mah
Management and Budget Analyst

Reviewed by,



Matthew H. Hymel
County Administrator