



Finance, Administration and Oversight Committee

FY08 Budget Review Item V-C

April 12, 2007

Living Wage Policy

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

<input type="checkbox"/> Action <input checked="" type="checkbox"/> Information	MEAD Number: N/A	Resolution: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	---------------------	--

PURPOSE

The purpose of the presentation is to provide the Board with options for a living wage policy that would apply to WMATA service procurements (including construction contracts) valued over \$100,000, and report on the implications if the living wage policy is approved.

DESCRIPTION

The Board of Directors requested staff to research and report on the implications of a living wage policy, that would require Authority contractors to compensate their employees at a living wage rate. Staff conducted the research and drafted procedures for implementing the policy, including the development of a living wage clause for inclusion in contracts and solicitations. Five WMATA Compact jurisdictions have living wage requirements with hourly rates that range from \$11.25 to \$12.66. These rates apply to the respective jurisdictions only and not to WMATA. For purposes of analysis, staff used the rate of \$11.80 per hour which represents the average living wage rate of the rates established by the jurisdictions. The rate would be applicable to service contracts (including construction contracts) valued over \$100,000 in a 12-month period. The living wage would also apply to subcontracts valued over \$15,000 in a 12-month period.

FUNDING IMPACT

The funding impact will depend on which one of two options the Board elects to approve as policy. Additional funding will be required in the FY08 Budget if the Board adopts either Option 1 or Option 2 described below and illustrated in the chart that follows.

Option 1: Based on current analysis of the wage rates in existing contracts, staff estimates an annual budget impact of approximately \$1.8 million as recurring contracts become renewable and living wage rates are included. The analysis for Option 1 assumed that health benefit costs would be factored in the Authority's

living wage rate for service contracts, as is currently the policy for 2 of 5 Compact jurisdictions with living wage provisions.

Option 2: Based on the same contract wage rates as in Option 1, the funding impact is approximately \$2.6 million as recurring contracts become renewable and living wage rates are included. The analysis for Option 2 assumed that health benefit costs would not be factored in the Authority's living wage rate for service contracts, as is currently the policy for 3 of 5 Compact jurisdictions with living wage provisions.

Description	Living Wage Rate Reduced by Contractor's Health Benefit Costs	Approximate Annual Impact	FY08 Budget	Budget Shortfall
Option 1	Yes	\$1.8 million	\$1.4 million	\$400,000
Option 2	No	\$2.6 million	\$1.4 million	\$1.2 million



Living Wage Policy

Presented to the Board of Directors:

**Finance, Administration, and Oversight
Committee**

April 12, 2007





Living Wage Policy

- **The Board of Directors requested staff to research and report on the implications of a living wage policy, requiring Authority contractors to compensate their employees at a living wage rate**



Compact Jurisdiction Rate

- **Compact jurisdictions with living wage provisions:**
 - **\$12.66 - City of Alexandria**
 - **\$11.80 - Arlington County**
 - **\$11.75 - District of Columbia**
 - **\$11.60 - Montgomery County**
 - **\$11.25 - Prince George's County**



Living Wage Policy

- **The rate considered in staff analysis is \$11.80 per hour, which is the average rate among the Compact jurisdictions with living wage provisions**
- **The rate would be subject to escalation each WMATA fiscal year**
 - The living wage rate would be the average of the rates established by the Compact jurisdictions, as determined in January of each year



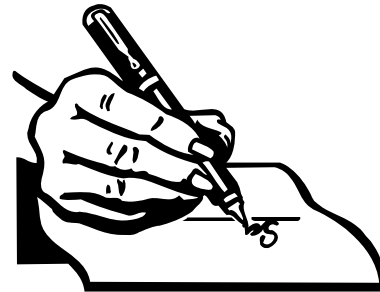
FY08 Budget Impact

- **\$400,000 budget shortfall**
 - If contractors are allowed to deduct health insurance costs from the living wage rate
- **\$1.2 Million budget shortfall**
 - If contractors pay health insurance costs in addition to the living wage rate



Living Wage Policy

- **Applicable to service contracts (including construction contracts) awarded in an amount that exceeds the simplified acquisition threshold (currently \$100K) in a 12-month period; and subcontracts that exceed \$15K in a 12-month period**





Living Wage Policy

- **Exceptions Related to Contracts/Contractors**
 - Contracts and agreements subject to higher wage rates required by federal law
 - Contractors with existing collective bargaining agreements
 - Contracts or agreements for regulated utilities
 - Emergency services to prevent or respond to a disaster or imminent threat to public health and safety
 - Contractor employees who work less than full-time
 - Contractors who employ fewer than ten employees



Summary

- **If the Living Wage Policy is approved for Authority contracts:**
 - The rate will be included in all contracts for services (including construction contracts), awarded in an amount that exceeds \$100K in a 12-month period; and will “flow down” to subcontracts that exceed \$15K in a 12-month period
 - The rate of \$11.80 is the average rate of the local jurisdictions with living wage provisions
 - There will be a FY08 budget shortfall of either \$400,000 or \$1.2 million depending on allowed treatment of contractor employee health insurance costs



Recommendation

Staff recommends delaying implementing a Living Wage Policy until the FY08 Budget shortfall is resolved