

**CITY OF SAN DIEGO  
M E M O R A N D U M**

DATE: February 27, 2007

TO: Lance Wade, Director, Purchasing & Contracting Department

FROM: Nora Nugent, Living Wage Administrator, Purchasing & Contracting Department  
via Tammy Rimes, Deputy Director, Purchasing & Contracting Department *Tammy Rimes*

SUBJECT: Living Wage Ordinance Semi-Annual Status Report (July – December 2006)

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This report summarizes activities and outstanding challenges for administration of the Living Wage Ordinance (LWO) during the first half of Fiscal Year 2007 (July – December 2006).

ORDINANCE IMPLEMENTATION:

The LWO requires employers for contracted City services to compensate employees who perform work on these contracts under a predetermined wage structure. The ordinance was passed in June 2005 with two companion ordinances. The following chart describes these ordinances:

<u>SDMC</u>	<u>Ordinance</u>	<u>Description</u>	<u>Effective</u>
§22.2800	Service Worker Retention	New contractor must retain existing employees for 90 days	08/22/05
§22.3224	Contractor Standards	Bidder must submit info about qualifications, finances, compliance record	08/22/05
§22.4200	Living Wage	Contractors must pay fixed hourly wage plus benefits and provide leave (paid and unpaid)	07/01/06

Administrative responsibilities include:

- Create and distribute LWO information to businesses, City staff and the general public.
- Identify applicable contracts.
- Prepare contract language and ensure inclusion in all relevant contract documents.
- Maintain records to demonstrate compliance.
- Investigate and resolve complaints.
- Respond to concerns of the Mayor, Council, community-based organizations, and the

general public.

#### EMPLOYER REQUIREMENTS:

A covered employer must meet the following LWO requirements:

- Pay covered employees \$10/hour plus \$2/hour for health benefits (adjusted annually).
- Provide 10 compensated and 10 additional uncompensated days off per year.
- Inform employees of their possible right to Federal Earned Income Tax Credit.
- Allow City access to LWO records.
- Prohibit retaliation against an employee for allegation of LWO non-compliance.
- Submit a *Certification of Compliance* for each applicable project.

An employer may request an exemption for the following reasons:

- The business employs fewer than 12 employees, including parent and subsidiaries.
- The business is a 501(c)(3) non-profit and the highest officer's pay is less than eight times the lowest worker's pay.
- A collective bargaining agreement specifically supersedes the LWO.
- Occupational licenses are required (only employees with such licenses are exempt).

Certain contracts are categorically exempt from the LWO:

- Public works construction, recycling, or solid waste management franchise contracts.
- Cooperative procurement contracts or contracts with other government agencies.
- Contracts subject to federal/state law that precludes applicability.
- Contracts for goods, property, or lease of property with City as lessee (unless services are more than incidental).
- Contracts for design, engineering, financial, technical, legal, banking, medical management, operating, advertising, or other professional services.

#### PERFORMANCE METRICS:

LWO performance metrics were developed in accordance with published studies including *The Living Wage* by Robert Pollin and Stephanie Luce. Specific metrics for the City's LWO were extracted from requirements in San Diego Municipal Code, Chapter 2, Article 2, Division 42:

<u>Metric</u>	<u>Description</u>	<u>Goal</u>
Include LWO criteria in applicable service contracts	Percentage of applicable service contracts with LWO language	100%
Maintain accurate database reflecting increased payment to vendors for implementation of LWO	Percentage of applicable contracts accurately reflected in database	100%
Respond to LWO complaints within 5 working days	Percentage of initial complaint responses accomplished within 5 working days	100%
Investigate and resolve valid LWO and Contractor Standards complaints	Percentage of complaints resolved within 60 working days	100%
Review appropriate records maintained by covered employers to verify LWO compliance	Percentage of covered employers reviewed each fiscal year	10%
Prepare annual report of LWO activities for Mayor and Council	Submit report for prior fiscal year by August 15	100%

The chart below displays results of performance metrics during this reporting period:

<u>Metric</u>	<u>First Half of FY 2007</u>
LWO criteria included in contracts	100% of applicable contracts
LWO database maintained	100% of applicable contracts
Complaint response within 5 days	No complaints received
Complaints investigated and resolved	No complaints received
Employer records reviewed	Scheduled for second half of FY 2007
Annual Report prepared	Not required during this reporting period

APPLICABLE CONTRACTS:

The LWO applies on service contracts with a term of more than 90 days and an annual value over \$25,000. Service workers are non-managerial, non-supervisory, and non-professional; for the City, primary services include landscaping, janitorial, security, and laundry services. *Contracts with LWO Clause (July–December 2006)*, attached to this report, lists applicable contracts for the first half of Fiscal Year 2007 [see Attachment A].

The LWO became effective on July 1, 2006. Compliance is required as a contract is awarded,

amended or renewed:

<u>Type of Contract</u>	<u>Number of Contracts</u>
Newly awarded	26
Amended or renewed	25
TOTAL	51

LWO COST INCREASE:

Manager’s Report 05-090 dated April 7, 2005, included an analysis of the LWO’s effect on City service contracts. This report estimated, “the additional cost impact to the City would be approximately 20.99%.”

Only when a contract is renewed is there a basis to capture cost increases attributable to the LWO. During renewal, a cost-of-living adjustment is awarded based on the regional Consumer Price Index; for compliance with the LWO, a contractor submits justification. The following chart summarizes increases for contract renewals during the first half of Fiscal Year 2007:

<u>Prior Value</u>	<u>Actual Increase</u>	<u>CPI Increase</u>	<u>LWO Increase</u>	<u>LWO % Increase</u>
\$3,856,097	\$1,074,462	\$142,853	\$931,429	24.15%

*Contract Renewal Cost Increases Attributable to LWO (July–December 2006)*, attached to this report, itemizes each LWO contract renewed during the first half of Fiscal Year 2007 [see Attachment B]. The cost to extend a contract is expected to be less than the cost to re-bid.

COMPLAINTS AND AUDITS:

No formal, written complaints were received during the first half of Fiscal Year 2007. Random audits of contractor payroll records will be conducted during the second half of the fiscal year.

UPCOMING ISSUES AND CHALLENGES:

The following tasks must be accomplished prior to the start of the new fiscal year:

*Staff Support:* Originally, staff support to administer the LWO was projected to be 1 Supervising Analyst and 4 Associate Analysts. For this fiscal year, 0.5 Supervising Analyst and 0.5 Administrative Aide II were allocated, however, the AAIL position was never filled. Currently assigned staffing is insufficient to perform excellent LWO administration.

*Financial Assistance Agreements and City Facility Agreements:* SDMC §22.4210(a)(3 and 4) make the LWO applicable for two new agreement types, effective July 1, 2007; effected agencies must be identified and offered assistance to ensure compliance.

*Wage and Benefit Rate Adjustment:* SDMC §22.4220(b) requires an annual upward adjustment each July 1 based on the regional Consumer Price Index; amounts must be determined prior to April 1 and will apply as contracts are awarded, amended, or renewed.

*City Website Update:* SDMC §22.4220(b) requires posting of new rates on the City's website; the *Rules Implementing the LWO* include these rates and will require additional clarifications.

*Compliance Audits:* SDMC §22.4235(a) requires the City to conduct periodic reviews of covered employers' records; although no formal complaints have been filed, anecdotal evidence indicates some employers may not meet requirements.

*Annual Covered Employer Report:* SDMC §22.4225(c) requires each covered employer to submit an annual report regarding compliance; format and collection of this report can be coordinated with the contract renewal process.

*Report to City Council:* SDMC §22.4235(c) requires submittal of a report after July 1, 2007, to City Council describing the effects of the LWO on the City; the format of this *Living Wage Ordinance Semi-Annual Status Report* can be used to meet this requirement.

I'm available to provide any additional information regarding administration of the Living Wage Ordinance. My phone is 619/533-3948 and my email address is [nnugent@sandiego.gov](mailto:nnugent@sandiego.gov).



Nora Nugent  
Living Wage Administrator

Attachments:

- A) Contracts with LWO Clause (July – December 2006)
- B) Contract Renewal Cost Increases Attributable to LWO (July – December 2006)

cc: Deputy City Attorney

**Contracts with LWO Clause  
(July - December 2006)**

ATTACHMENT A

<u>Bid #</u>	<u>Contract Title</u>	<u>Vendor</u>	<u>Start Date</u>
4906-02-G	Janitorial Maintenance at the San Diego World Trade Center and Crabtree Building	San Diego Services dba SD Janitorial & SD Engineering Svcs.	07/01/2006
5239-02-Y	Security Guard Service at Central Ops	Rodgers Police Patrol	08/01/2006
5335-04-H	Complete Landscape Maintenance within the Northwest Otay Maintenance Assessment District	Acacia Landscape Company	12/08/2006
5363-02-Y	Complete Tree Trimming/Root/Pruning/Tree Planting/Root Barrier Installation	Trugreen - Landcare Regional	07/15/2006
5434-03-Y	Complete Landscape Maintenance of the Designated Parks, Medians, Rights-of-Way, and Open Space Within the Tierrasanta Maintenance Assessment District	Treebeard Landscape, Inc.	10/01/2006
5493-03-Y	Complete Landscape Maintenance of Various Library Sites	Aztec Landscaping, Inc.	11/01/2006
5516-03-Y	Tree Trimming	Great Scott Tree Service, Inc.	11/01/2006
5520-03-Y	Unarmed Security Guard Services At Various Metropolitan Wastewater Operations Facilities	Four Star Private Patrol dba Custom Security Services	12/01/2006
5555-03-Y	Complete Landscape Maintenance of Designated Planted and Paved Center Islands in the Sabre Springs Landscape Maintenance Assessment District	Aztec Landscaping, Inc.	10/01/2006
5749-03-A	Janitorial Maintenance Service at South Bay Waste Water Treatment Plant	Aztec Landscaping, Inc.	12/16/2006
5979-03-H	Complete Landscape Maintenance of Designated Medians, Rights-of-Way, and Adjacent Slopes and Areas Within Northeast SubArea of the Mira Mesa Maintenance Assessment District	Aztec Landscaping, Inc.	07/01/2006
6053-03-B	Security Guard Services at the Miramar Landfill	Able Patrol and Guard	07/01/2006
6096-03-B	Security Guard Services at PS77	The Wackenhut Corporation	07/01/2006
6119-03-A	Steam Cleaning Sidewalks, Sidewalk Furniture, and Trash Receptacles within the North Park Maintenance Assessment District	A Super Klean Power Wash	07/01/2006
6126-03-A	Janitorial Maintenance Service at the Mission Trails Visitors Center, Kumeyaay Campground, and Cowles Mountain Comfort Station	Empire Maintenance Company, Inc.	07/01/2006

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(July - December 2006)**

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<u>Bid #</u>	<u>Contract Title</u>	<u>Vendor</u>	<u>Start Date</u>
6145-03-H	Complete Landscape Maintenance of South Bay Wastewater Reclamation Plant and the Grove Avenue Pump Station (GAPS)	Brewer Lawn Maintenance, Inc.	08/15/2006
6173-04-H	Complete Landscape Maintenance for Parkside Neighborhood Park	Aztec Landscaping, Inc.	08/15/2006
6174-04-H	Complete Palm Tree Trimming for Approximately 30,000 Queen, Fan, and Date Palms and Palm Tree Planting	Great Scott Tree Service, Inc.	08/25/2006
6174-04-H	Complete Palm Tree Trimming for Approximately 30,000 Queen, Fan, and Date Palms and Palm Tree Planting	United Pacific Services, Inc.	08/25/2006
6297-04-H	Tree Maintenance Service in the Carmel Valley Maintenance Assessment District	Great Scott Tree Service, Inc.	10/01/2006
6596-04-H	Complete Landscape Maintenance of Designated Rights-of-Way/Parkways, Parks, and Adjacent Slopes and Areas within the Miramar Ranch North MAD	Blue Skies Landscape Maintenance, Inc.	07/01/2006
6639-04-H	Complete Landscape Maintenance Within the Park Village Maintenance Assessment District	J. L. Krueger Landscape Services	09/01/2006
6710-05-Y	Landscape Maintenance of the Designated Right-Of-Way/Parkways, Medians, and Areas within the East Village Redevelopment and Ballpark Infrastructure	Aztec Landscaping, Inc.	09/01/2006
6805-04-A	Janitorial Maintenance Service for North City Water Reclamation Plant and Various Pump Stations	NMS Management, Inc.	07/01/2006
6869-05-Y	Landscape Maintenance of the Designated Rights-or-Way/Parkways, Medians, and Areas within the Linda Vista Maintenance Assessment District	Goldkamp Landscaping	09/01/2006
6888-05-Y	Complete Landscape Maintenance of Deisgnated Medians, Rights of Way, Mini-Parks, Open Spaces, & Areas within the Penasquitos East MAD	Goldkamp Landscaping	11/15/2006
6994-05-Y	Complete Landscape Maintenance of Views West Neighborhood Park and Comfort Station	Aztec Landscaping, Inc.	12/01/2006
7008-05-A	Janitorial Maintenance Service at Various Police Store Fronts	Tobi Jene Carter DBA	10/24/2006
7017-05-Y	Landscape Maintenance Imperial Marketplace	Acacia Landscape Company	12/01/2006
7092-05-Y	Complete Landscape Maintenance of Carmel Mountain Ranch Sabre Springs Community Park and Janitorial Maintenance for Comfort Station	J.L. Krueger Landscape Services	12/01/2006

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7339-05-A	Janitorial Maintenance Service at Chollas Operations, Central Operations (20th & B Street), and Rose Canyon Operations	VIP Holdings, Inc. DBA	10/03/2006
7494-05-Y	Plants and Required Landscape Maintenance for Los Penasquitos Canyon Preserve Mitigation Project	Nature's Image, Inc.	07/15/2006
7738-06-P	Office Relocation Services	C & M Transfer of San Diego, Inc. DBA	11/01/2006
7759-06-Q	Maintenance of Fire Alarm Systems at Various City Sites	Pyro-Comm Systems, Inc.	07/01/2006
7763-06-A	Janitorial Maintenance Service at the Civic Center and Gaslamp Square Park Comfort Stations	Tobi Jene Carter DBA	12/04/2006
8142-06-W	Security Guard Services at Brown Field and Montgomery Field Airports	National Public Safety	07/01/2006
8160-06-Q	Semi Annual Maintenance Inspection & Testing of Fire Suppression System at Metro Bio-Solids Center	Facilities Protection Systems, Inc.	07/01/2006
8161-06-A	ELEVATOR MAINTENANCE FOR METROPOLITAN BIOSOLIDS CENTER AND PUMP STATION #64	Amtech Elevator Services	07/03/2006
8237-06-E	Pest Control Services at Brown and Montgomery Field Airports	Dewey Pest Control	08/28/2006
8238-06-E	Pest Control Services for the San Diego Fire Department Facilities	Cartwright Termite & Pest Control	08/01/2006
8259-06-Y	Complete Landscape Maintenance of the Designated Medians and Rights-of-Way within the Pacific Highlands Ranch Maintenance Assessment District.	Acacia Landscape Company	08/02/2006
8301-06-Y	Complete Landscape Maintenance within Sage Canyon and Torrey Hills Neighborhood Parks and Provide Janitorial Maintenance for Two (2) Comfort Stations	Acacia Landscape Company	09/01/2006
8305-06-A	Rental and Service Maintenance of Portable Toilets	United Sites Services of CA Inc, DBA	09/15/2006
8328-07-A	Lead and Asbestos Abatement Services	Flores Sierra Contractors, Inc.	12/14/2006
8328-07-A	Lead and Asbestos Abatement Services	TEG-LVI Environmental Services Inc.	12/14/2006

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8351-06-Y	Complete Landscape Maintenance within Carmel Valley Neighborhood 10 Maintenance Assessment District.	Benchmark Landscape Services Inc.	12/01/2006
8379-07-B	Security Guard Services at Mount Hope Cemetery	Able Patrol and Guard	11/01/2006
8380-07-B	Security Gate and Comfort Services at City Sites	Securitas Security Services USA Inc.	11/01/2006
8398-07-Y	Complete Landscape Maintenance of the Designated Locations within the Otay International Center Maintenance Assessment District	Aztec Landscaping, Inc.	12/01/2006
8414-07-B	Pest Control Service for Community Parks I and II Divisions	Claude W Thedford and Eleanor	11/01/2006
8422-07-Y	Complete Maintenance of Melaleuca Trees in the Rights-of-Way along Mission Boulevard and West Mission Bay Drive	Acacia Landscape Company	11/20/2006

**Contract Renewal Cost Increases Attributable to LWO  
(July - December 2006)**

ATTACHMENT B

<u>Bid #</u>	<u>Contract Title</u>	<u>Vendor</u>	<u>Renewal Date</u>	<u>Prior Value</u>	<u>Actual Increase</u>	<u>CPI Increase</u>	<u>LWO Increase</u>	<u>LWO % Increase</u>
4906-02-G	Janitorial Maintenance World Trade Center	San Diego Services	07/01/2006	\$107,150	\$11,433	\$4,179	\$7,254	6.77%
5289-02-Y	Security Guard Service at Central Ops	Rodgers Police Patrol	08/01/2006	\$194,776	\$51,455	\$7,207	\$44,248	22.72%
5335-04-H	Landscape Maintenance Northwest Otay MAD	Acacia Landscape Company	12/08/2006	\$121,310	\$57,667	\$4,488	\$53,179	43.84%
5363-02-Y	Complete Tree Trimming	TruGreen Landcare	07/15/2006	\$218,650	\$14,608	\$8,090	\$6,518	2.98%
5434-03-Y	Landscape Maintenance Tierrasanta MAD	Treebeard Landscaping	10/01/2006	\$383,663	\$88,531	\$14,159	\$74,372	19.38%
5493-03-Y	Landscape Maintenance Various Library Sites	Aztec Landscaping, Inc.	11/01/2006	\$196,977	\$43,075	\$7,288	\$35,787	18.17%
5516-03-Y	Tree Trimming	Great Scott Tree Service	11/01/2006	\$155,538	\$12,375	\$5,755	\$6,620	4.26%
5520-03-Y	Security Guard Service MWWWD	Four Star Private Patrol	12/01/2006	\$757,192	\$263,095	\$28,016	\$235,079	31.05%
5555-03-Y	Landscape Mtce Sabre Springs MAD	Aztec Landscaping, Inc.	10/01/2006	\$44,900	\$10,300	\$1,661	\$8,639	19.24%
5749-03-A	Janitorial Service at South Bay WWTP	Aztec Janitorial	12/16/2006	\$60,033	\$14,768	\$2,221	\$12,547	20.90%
5979-03-H	Landscape Maintenance NE SubArea Mir Mesa	Aztec Landscaping, Inc.	07/01/2006	\$90,492	\$19,445	\$3,348	\$16,097	17.79%
6053-03-B	Security Guard Services Miramar Landfill	Able Patrol and Guard	07/01/2006	\$85,705	\$27,609	\$3,171	\$24,438	28.51%
6096-03-B	Guard Service PS77	Wackenhut	07/01/2006	\$65,637	\$13,023	\$2,429	\$10,594	16.14%
6126-03-A	Janitorial Maintenance Mission Trails	Empire Building	07/01/2006	\$40,188	\$15,675	\$1,487	\$14,188	35.30%
6145-03-H	Landscape Maintenance SBWRP and Grove Ave	Brewer Lawn Maintenance	08/15/2006	\$27,923	\$12,545	\$1,033	\$11,512	41.23%

**Contract Renewal Cost Increases Attributable to LWO  
(July - December 2006)**

ATTACHMENT B

<u>Bid #</u>	<u>Contract Title</u>	<u>Vendor</u>	<u>Renewal Date</u>	<u>Prior Value</u>	<u>Actual Increase</u>	<u>CPI Increase</u>	<u>LWO Increase</u>	<u>LWO % Increase</u>
6297-04-H	Tree Maintenance Carmel Valley MAD	Great Scott Tree Service	10/01/2006	\$94,724	\$7,754	\$3,505	\$4,249	4.49%
6596-04-H	Landscape Maintenance Miramar Ranch North	Blue Skies	07/01/2006	\$599,203	\$176,567	\$22,171	\$154,397	25.77%
6639-04-H	Landscape Maintenance Park Village MAD	Krueger Landscape Service	09/01/2006	\$123,401	\$13,978	\$4,566	\$9,412	7.63%
6710-05-Y	Landscape Maintenance East Village	Aztec Landscaping, Inc.	09/01/2006	\$60,300	\$11,388	\$2,231	\$9,157	15.19%
6805-04-A	Janitorial Maintenance NCWRP	NMS Management	07/01/2006	\$78,992	\$12,751	\$2,923	\$9,649	12.21%
6994-05-Y	Landscape Maintenance Views West N'hood Park	Aztec Landscaping, Inc.	12/01/2006	\$67,191	\$14,076	\$2,486	\$11,590	17.25%
7008-05-A	Janitorial Service Gaslamp	T & T Maintenance	10/24/2006	\$25,327	\$15,662	\$937	\$14,725	58.14%
7017-05-Y	Landscape Maintenance Imperial Marketplace	Acacia Landscape Company	12/01/2006	\$35,803	\$10,909	\$1,325	\$9,585	26.77%
7494-05-Y	Landscape Maintenance Los Penasquitos	Nature's Image	07/15/2006	\$40,637	\$10,649	\$1,504	\$9,145	22.50%
7763-06-A	Janitorial Service Gaslamp	T & T Maintenance	12/04/2006	\$180,385	\$145,123	\$6,674	\$138,449	76.75%
	<b><u>TOTALS</u></b>			<b><u>\$3,856,097</u></b>	<b><u>\$1,074,462</u></b>	<b><u>\$142,853</u></b>	<b><u>\$931,429</u></b>	<b><u>24.15%</u></b>