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# MEMORANDUM

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Date: June 26, 2013

To: The Honorable Chairman and Members  
Pima County Board of Supervisors

From: C.H. Huckelberry  
County Administrator

A handwritten signature in black ink, appearing to be "CHH", is written over the printed name "C.H. Huckelberry".

Re: **2012 Annual Living Wage Compliance Report**

Pursuant to Living Wage Ordinance 2002-1, the County Procurement Director is required to file a compliance report with the County Administrator and the Board of Supervisors regarding service contracts entered into between vendors and Pima County. These vendors are required to meet the Living Wage Ordinance adopted by the Board.

The attached report is provided for your information. Please note that 37 service contracts met the Living Wage Ordinance criteria.

If you have any questions regarding the attached report, please feel free to contact me, Procurement Director George Widugiris or SBE/Vendor Relations Division Manager Terri Spencer.

CHH/dph

Attachment

c: George Widugiris, Director, Procurement Department  
Terri Spencer, Manager, SBE/Vendor Relations Division

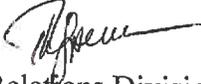


# MEMORANDUM

## Procurement Department

Date: June 14, 2013

To: C.H. Huckelberry  
County Administrator

From: Terri Spencer   
SBE/Vendor Relations Division Manager

Thru: George Widugiris  
Procurement Director 

Re: **2012 Annual Living Wage Compliance Report**

Pursuant to Section 11.38.080 of the Living Wage Ordinance 2002-1, the County Procurement Director files an annual compliance report with the County Administrator and the Board of Supervisors. The attached annual compliance report shows the utilization of specific services procured for the County that must meet a Living Wage requirement. This report and the data collection has been formatted to reflect the provisions of this Ordinance as it applies to contracts entered into or renewed on or after July 1, 2002. Resource information for this report was compiled from the Contract Database, AMS Advantage, E-Contracts Web Intranet site, and Living Wage Database reports.

As of this report period ending December 31, 2012, the Living Wage required rate slightly increased from \$10.82/per hour to \$11.06/per hour. For companies that provide benefits, the rate of \$9.63 per hour plus \$206.26 of company paid health benefits slightly increased to \$9.84 per hour plus \$211.46 of company paid health benefits. These changes represent a 2.28% increase from 2011.

There were a total of 37 contracts that met the Living Wage Ordinance criteria. The following is a breakdown of these contracts as of December 31, 2012.

## **NUMBER OF CONTRACTS:**

26 Contracts were open as of 12/31/11

- \*17 Contracts were renewed
- \*15 New contracts were added
- \*5 Contracts were discontinued

37 Contracts were open as of 12/31/12

## **COVERED SERVICE CATEGORIES:**

Of the 37 Living Wage contracts active during calendar year 2012, the following service percentages reflect the overall contracted dollar values:

- \* 7 Janitorial/Custodial = 27.23%
- \* 1 Security = 24.85%
- \* 2 Landscape = 16.15%
- \* 13 Facility/Building Maintenance = 13.74%
- \* 8 Refuse/Recycle = 9.55%
- \* 2 Pest Control = 3.32%
- \* 2 Moving = 2.83%
- \* 2 Temporary Employee = 2.34%

## **STATUS OF CONTRACTS:**

- \* 12 contracts required to submit compliance payroll reports to monitor Living Wage rates
- \* 24 contracts in compliance for paying employees equal to or above the Living Wage Rate and released from payroll reporting
- \* 1 contract met the Living Wage service category but exempt since employee classified as a volunteer
- \* 275 payroll reports received by Pima County's Living Wage Compliance Officer for audit
- \* No contracts were out of compliance at the time of this report

## **VENDOR PAYROLL STATISTICS:**

The 12 contract vendors required to report for payroll compliance experienced:

- \* Living Wage rate affecting 395 employees  
(The normal employee rate averaged approximately \$8.85/hour)
- \* A ratio of employer total payroll versus payroll affected by Living Wage:
  - ◆ Living Wage employees averaged 11.92% of total employees
  - ◆ Living Wage employee hours averaged 10.40% of total employee hours
  - ◆ Living Wage employee gross pay averaged 11.05% of the total employee gross pay
- \* The average vendor base labor burden for direct employee labor = 13.08%

## COMPLIANCE AND MONITORING OF ORDINANCE

Compliance was conducted with the Living Wage Compliance Guide designed to keep monitoring practices consistent and protect against appearances of favoritism

\* 40 onsite/offsite audits were made:

- ◆ 24 release audits to relieve vendor of payroll reporting
  - \* See note on Compliance and Monitoring of Ordinance graph (page 8)
- ◆ 13 orientation visits to assist compliance reporting set up for new contracts
  - \* See note on Compliance and Monitoring of Ordinance graph (page 8)
- ◆ 3 routine audits to review vendor records versus payroll reports submitted

## THE LIVING WAGE RATE (enforced on a calendar year basis):

The annual Living Wage rate is adjusted on all new and renewing contracts after January 1st of each year. This rate is obtained the 3rd quarter of each year from the Consumer Price Index, Western Region at <http://data.bls.gov/servlet/SurveyOutputServlet> by comparing the previous year's CPI to current.

## Historical look at Living Wage increases

Year	Basic Rate	Rate per hr w/ benefits	CPI % Increase
2003	\$9.00/hr	\$8.00/hr + \$1.00 worth of health benefits (\$173.30/Month)	Began w/ Set Amt defined by Ordinance
2004	\$9.20/hr	\$8.18/hr + \$1.02 worth of health benefits (\$176.76/Month)	2.23%
2005	\$9.39/hr	\$8.35/hr + \$1.04 worth of health benefits (\$180.26/Month)	2.03%
2006	\$9.67/hr	\$8.60/hr + \$1.07 worth of health benefits (\$185.46/Month)	3.03%
2007	\$10.02/hr	\$8.91/hr + \$1.11 worth of health benefits (\$192.40/Month)	3.63%
2008	\$10.31/hr	\$9.16/hr + \$1.15 worth of health benefits (\$199.33/Month)	2.85%
2009	\$10.73/hr	\$9.54/hr + \$1.19 worth of health benefits (\$206.26/Month)	4.10%
2010	\$10.70/hr	\$9.52/hr + \$1.18 worth of health benefits (\$204.53/Month)	0.26% (Decrease)
2011	\$10.82/hr	\$9.63/hr + \$1.19 worth of health benefits (\$206.26/Month)	1.12%
2012	\$11.06/hr	\$9.84/hr + \$1.22 worth of health benefits (\$211.46/Month)	2.28%

## **LIVING WAGE ORDINANCE PROGRAM REPORT**

### **Calendar Year Ending 2012**

The attached compliance report provides dollar figures and percentages of service contracts covered by the Living Wage Ordinance 2002-1 for the calendar year ending December 31, 2012. The majority is for recurring and annually contracted services. Disclosure of the methodology, processes and reporting of the compilation of information is as follows:

#### **1) Information is limited to contracts as defined in the Living Wage Ordinance 2002-1:**

Service categories for solicitations resulting in contracts over the bid threshold (>\$50k)

- \* Facility and building maintenance contracts
- \* Refuse collection and recycling contracts
- \* Temporary employee service contracts
- \* Janitorial and custodial contracts
- \* Landscape maintenance and weed control contracts
- \* Pest control contracts
- \* Security contracts
- \* Moving services contracts

#### **2) Data gathered for relational comparison:**

Total dollar and percentages of:

- \* all open Living Wage Contracts
- \* covered service categories for all open Living Wage Contracts
- \* Living Wage Contracts in compliance
- \* payroll statistics of contracts in compliance

#### **3) Informational base from which data has been collected:**

- \* Regular review of the E-Contracts Web pages of Living Wage service categories
- \* The Contract Maintenance Database which tracks amendments and renewals
- \* The Living Wage Database which compiles data into resource documents and records
- \* On site audit reviews of eligible employees, subcontract labor and employer payroll records to monitor compliance by the contractors

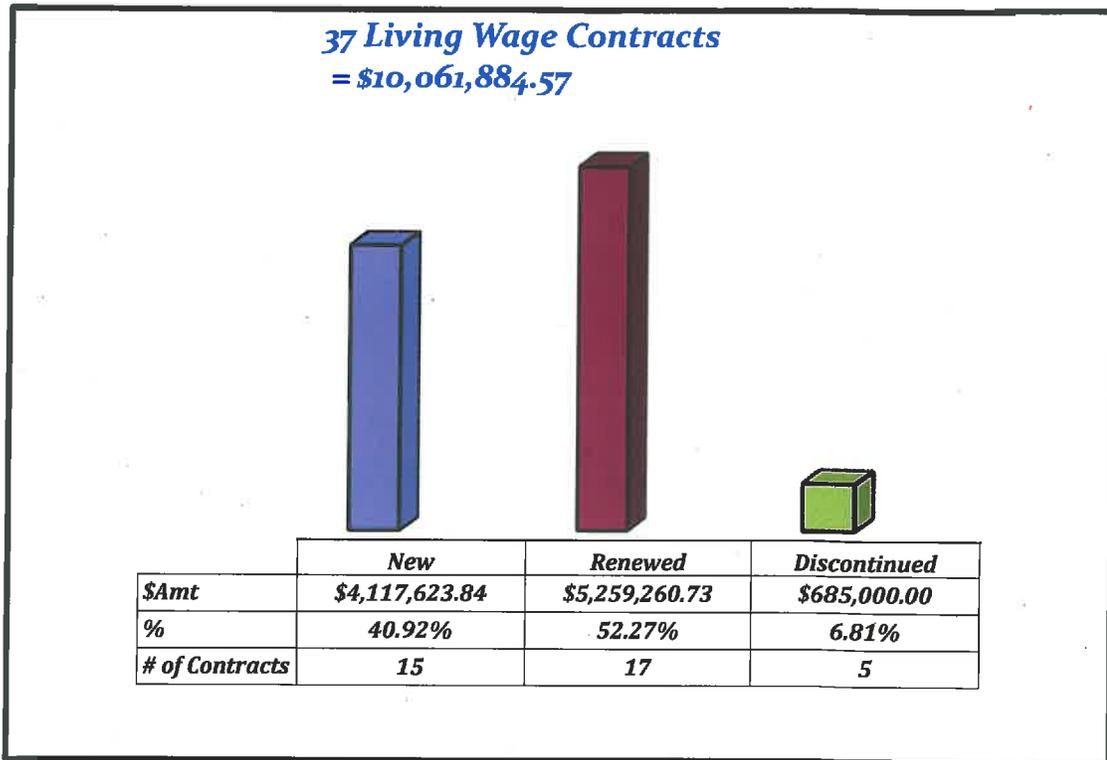
#### **4) Reports provided:**

- \* Graphs to summarize relational dollar and percentage comparisons
- \* Compilation of remedies in the event of a written determination of a noncompliance

#### **5) Outreach includes:**

- \* Educating firms and contractors who meet the criteria of the Living Wage Ordinance through hosting and participating in training seminars, trade shows, conferences and speaking to vendor groups
- \* Monitoring, tracking and reporting of Living Wage Ordinance participation in all areas of County Procurement
- \* Membership and participation on boards and committees that focus on issues regarding Living Wage and Consumer Indexes
- \* The Pima County Procurement Department webpage displays the Living Wage Ordinance 2002-1, the amended Procurement Code (which has inserted the Living Wage Chapter 11.38), and the procedures to submit RFQ, RFB, IFB, Sample Contracts and Amendments and compliance requirements.

## NUMBER OF CONTRACTS



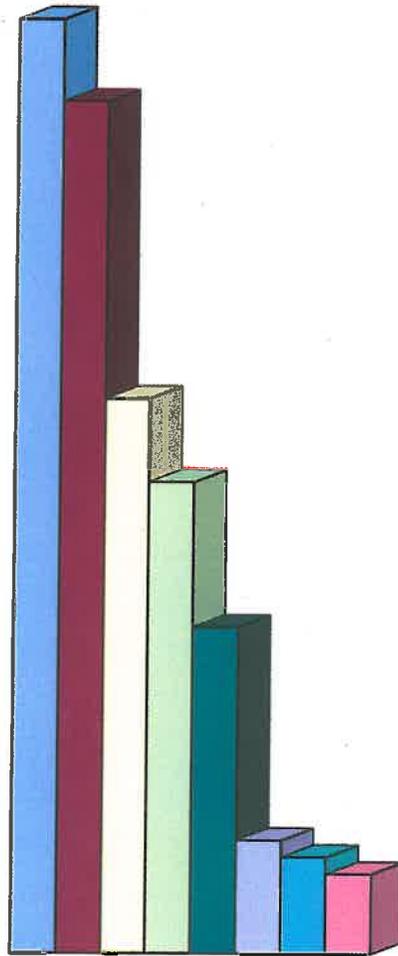
### 5 LIVING WAGE CONTRACTS DISCONTINUED Between 1/1/12 and 12/31/12

Contract	Vendor	Contract \$ Amt	Reason Discontinued
12*583	Comfort Systems USA Southwest Inc.	\$ 250,000.00	Terminated/Discontinued
12*656	GCA Services Group	\$ 120,000.00	Terminated/Discontinued
B506227	City of Tucson Environmental Services	\$ 80,000.00	Term Completed
B504261	Allstaff Services Inc.	\$ 125,000.00	Term Completed
B504262	Beacon Foundation	\$ 110,000.00	Term Completed
<b>Total Discontinued Contracts \$Amt</b>		<b>\$685,000.00</b>	

**CONTRACT SERVICE CATEGORY**

An eligible contract shall be a contract awarded by the County having an estimated cost in excess of the bid threshold, the aggregate dollar amount, provided for in ARS 11-25.01 and 41-2535 for eight (8) specific service categories.

*This graph identifies the dollar amount and percentage of each category of contracts.*

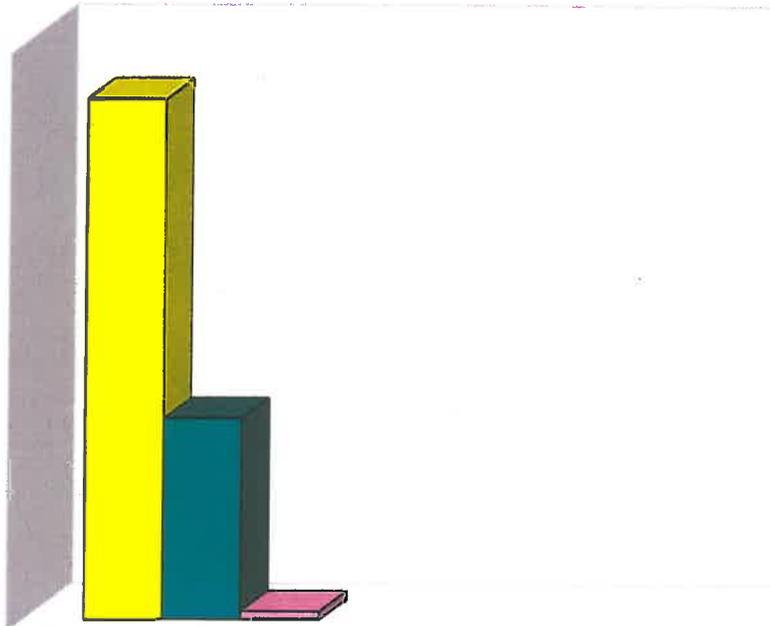


	\$Amt	%
7 Janitorial/Custodial	\$2,739,623.84	27.23%
1 Security	\$2,500,000.00	24.85%
2 Landscape	\$1,625,473.70	16.15%
13 Fac/Bldg Maintenance	\$1,382,360.00	13.74%
8 Refuse/Recycle	\$960,440.03	9.55%
2 Pest Control	\$334,247.00	3.32%
2 Moving Service	\$284,740.00	2.83%
2 Temp Emp Service	\$235,000.00	2.34%

**STATUS OF CONTRACTS**

Section 11.38.070 of the Living Wage Ordinance requires the contractor to submit basic records of payroll within Seven (7) days from the end of each pay period. Twelve (12) of the Thirty-Seven (37) Living Wage eligible contracts were subject to payroll reporting. Of the Thirty-Seven (37) contracts subject to reporting, Twenty-Four (24) were granted a full release after a payroll audit was conducted. Through the audit, it was determined that all employees for the contract vendor earned a salary which was equal to or greater than the current Living Wage. Releases are reevaluated with each contract renewal. One (1) contract was exempt from payroll reporting since employee classified as a volunteer. No Living Wage contracts were out of compliance at the time of this report.

***Breakdown of Living Wage Contracts Eligible for Payroll***



	<i><b>Contract \$Amt</b></i>	<i><b>%</b></i>
<input type="checkbox"/> <i><b>12 Standard PR Reporting</b></i>	<i><b>\$7,174,837.54</b></i>	<i><b>71.31%</b></i>
<input type="checkbox"/> <i><b>24 Released from PR Reporting</b></i>	<i><b>\$2,777,047.03</b></i>	<i><b>27.60%</b></i>
<input type="checkbox"/> <i><b>1 Exempt from PR Reporting</b></i>	<i><b>\$110,000.00</b></i>	<i><b>1.09%</b></i>

**Covered Services Exempt from PR Reporting**

<b>Contract</b>	<b>Contract \$Amt</b>	<b>Reason</b>
B504262 Beacon Foundation	\$110,000.00	Training/Volunteer
<b>Total</b>	<b>\$110,000.00</b>	

**Contracts Out of Compliance**

**There were no contracts out of compliance as of the date of this report**

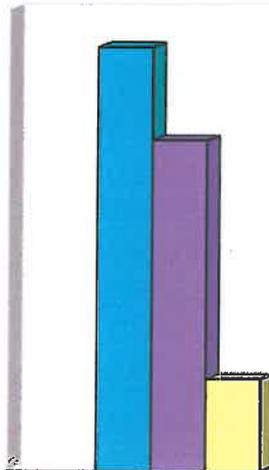
## PAYROLL STATISTICS OF THE 12 REPORTING VENDORS

The gross employee earnings and Living Wage earnings figures were compiled from 275 payrolls that were submitted by vendors and then tracked and audited by County for accuracy and compliance with reporting deadlines.

The average vendor paid a base labor burden (FICA/Medicare/Workers Comp) of approximately 13.08%.

The average employee rate is approximately \$8.85/hr. Vendors that were required to pay employees working on Pima County contracts at \$11.06 experienced an increase of \$903,204.13 from what they otherwise would have paid. This represents a 21.87% increase in what their hourly payroll figures would have otherwise been.

**Living Wage Paid  
Compared To What  
Would Have  
Otherwise Been**



	Contract \$Amt	%
<input type="checkbox"/> Payroll Paid at Living Wage Rate	\$4,130,147.86	
<input type="checkbox"/> Payroll Without Living Wage	\$3,226,943.73	
<input type="checkbox"/> Increase in Vendor Payroll	\$903,204.13	21.87%

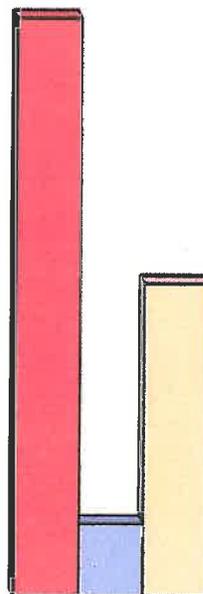
**395 employees were affected with a wage increase as a result of the Living Wage**

## COMPLIANCE AND MONITORING OF ORDINANCE

Using information from the mandatory payroll reporting, the Living Wage Compliance Officer conducts audits and rate checks to monitor Living Wage rates.

*Note: Release audits were conducted to relieve the burden of vendors who already met and exceeded the required Living Wage hourly rate. The releases were granted under the condition that Pima County is permitted to conduct periodic payroll audits to confirm that all employees earn above Living Wage rate during the contract period.*

**40 Audits Conducted  
during 2012**



	# of Audits	%
<input type="checkbox"/> Release of Reporting Audit	24	60.00%
<input type="checkbox"/> Routine Annual Audit	3	7.50%
<input type="checkbox"/> Living Wage Contract Orientation	13	32.50%