

ITEM #26₍₄₎

(Fiscal Impact Statement for Senator Geller's proposed ordinance)

ADDITIONAL MATERIAL

Public Hearing

DECEMBER 11, 2018

SUBMITTED AT THE REQUEST OF

**OFFICE OF THE COUNTY
ATTORNEY**



OFFICE OF MANAGEMENT AND BUDGET

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MEMORANDUM

December 3, 2018

TO: Board of County Commissioners

FROM: Norman Foster, Director 
Office of Management and Budget

SUBJECT: Fiscal Impact Statement Re: Proposed Ordinance Amending Sections 26-100 through 26-102 of the Broward County Code of Ordinances, Relating to the Living Wage Rate (11/15/18)

The proposed ordinance repeals and replaces in their entirety Sections 26-100 through 26-102, relating to the Living Wage Rate. The ordinance provides definitions, establishes the Living Wage Rate and health care benefit amounts, provides applicability to new and existing County contracts, establishes the wage indexing methodology, requires the County Administrator to recommend any additional one-time adjustment to the health care benefits amount, and provides for severability, inclusion in the code, and effective date.

Background: Current law provides for a living wage rate for covered employees who are provided health benefits of \$12.38 for calendar 2018. Current law provides for a health care benefits amount of \$1.61 for calendar 2018.

Broward County's living wage rate for covered employees who are provided health benefits would change, as provided in current law, from \$12.38 for calendar 2018 by 1.8% on January 1, 2019 to \$12.60, and the health care benefits amount from \$1.61 for calendar 2018 to \$1.63 on January 1, 2019. These adjustments are based on Miami PMSA Consumer Price Index for all Urban Consumers (CPI-U), calculated by the United States Department of Commerce, and does not exceed the compensation increase provided to unrepresented County employees.

Impact of proposed ordinance

Existing contracts: The proposed ordinance would set the living wage rate for covered employees working under existing contracts entered into prior to January 1, 2019, who are provided health benefits to \$13.00, effective January 1, 2019. Contracts expiring in 2018 would include 14 of the 45 General Fund contracts, and 8 of the 28 other Enterprise Direct Service Contracts.

New contracts and renewals entered into on or after January 1, 2019: The proposed ordinance would set the living wage rate for covered employees working under new or renewing contracts entered into on or after January 1, 2019, who are provided health benefits to \$13.27, effective January 1, 2019. Contracts affected by this change would include 31 of the 45 General Fund contracts, all of the Airport Concessionaire, Airport Service Provider, and Aviation Direct Service Contracts, and 20 of the 28 other Enterprise Direct Service Contracts.

All contracts: The proposed ordinance would set the health care benefits amount to \$1.63 on January 1, 2019, which would be the same level for health care benefits as current law.

The proposed ordinance directs the Office of the County Administrator to provide the County Commission, within 60 days of the enactment of the ordinance, with a recommended one-time adjustment to the health care benefits amount, based upon the condition of both the labor and health insurance markets. Any impact to costs would only result from subsequent commission action. As an example of the magnitude of possible impacts, for Broward County contracts funded by the General Fund, each one cent increase in the health care benefit amount would have an estimated annual cost of \$17,750.

The proposed ordinance includes indexing from January 1, 2020 forward, using a similar approach as current law, other than the Consumer Price Index for all Urban Consumers (CPI-U), Miami-Fort Lauderdale-West Palm Beach is adjusted as of October 31 each year.

The estimated cost impact of changing the Living Wage Rate from the calendar 2018 level of \$12.38 is summarized below, based on Additional Material provided by Finance and Administrative Services Department for Agenda items 76 and 77 on November 13, 2018:

- For Broward County employees, \$0.31 million per year, all General Fund. [Option 2, \$13.27 Living Wage].
- For Broward County contracts funded by the General Fund, entered into prior to January 1, 2019, the estimate if all GF contracts went to \$13.27 is \$1.52 million. Since two-thirds of GF contracts (31/45) do not expire by 12/2018, they would stay at \$13 per hour until renewal or rebidding. These estimated impact is adjusted to \$1.20 million (2/3 of the increment of \$0.48M in Option 2 for GF Contracts is deducted).
- For Broward County contracts funded by enterprise funds other than the airport, entered into prior to January 1, 2019, the estimate if all such contracts went to \$13.27 is \$0.37 million. Since about 70% of these contracts (20/28) do not expire by 12/2018, they would stay at \$13 per hour until renewal or rebidding. These estimated impact is adjusted to \$0.28 million (2/3 of the increment of \$0.13M in Option 2 for these Contracts is deducted).
- For Broward County Aviation Department direct service contracts, \$0.83 million [Option 1, \$13 Living Wage assumed since no contracts expire by 12/2018].
- For Fort Lauderdale-Hollywood International Airport concessionaires, \$1.83 million [Option 1, \$13 Living Wage assumed since no contracts expire by 12/2018].
- For airlines with service provider agreements, no specific information is available.

These estimates are based on information provided by Human Resources Division, Purchasing Division (contract information), Broward County Aviation Department and airport concessionaires, and the Office of Management and Budget. See Additional Material provided by Finance and Administrative Services Department for Agenda items 76 and 77 on November 13, 2018.

Fiscal Impact: The impact of the living wage component would be:

- **General Fund**—\$0.31 million for county employee compensation costs;
- **General Fund**—Since it is unknown what the bidding costs of new contracts would be, or renewals, it is difficult to estimate the total cost impact of changes to General Fund contracts. Assuming that rebid or renewed contracts incorporated cost changes similar to the estimates in this fiscal note, the fiscal impact to the General Fund would be up to \$1.20 million annually, once all contracts are renewed or rebid.
- Other impacts are as shown above, and would be borne by the relevant fund, airport concessionaire or service provider.