Living Wage

Broward County Board of County Commissioners Workshop
October 16, 2018
Living Wage Ordinance (LWO) History

October 8, 2002: Board enacts Living Wage Ordinance

October 1, 2003: Ordinance effective and implemented based on 110% of Federal Poverty Guidelines for a four-person family (based on 2002).

October 1, 2004: Revised indexed payroll rates using Miami PMSA Consumer Price Index (CPI-U). Living Wage Contracts either newly-awarded or, upon their renewal period, assumed Living Wage requirements (29 at that time).

October 7, 2008: As a result of legislation reducing local government revenue (Amendment No. 1- Save Our Homes), the index was capped at 3% and tied to unrepresented employees’ increase; increases moved from fiscal year to calendar year.
Living Wage “Covered Services”

County Service contracts (> $100k per year) for:
- Food preparation/distribution;
- Security services;
- Routine maintenance services (janitorial, refuse removal, recycling collections);
- Repair/refinishing services (furniture, fixtures, vehicles, machinery/equipment);
- Clerical/nonsupervisory office work (temporary or permanent personnel);
- Passenger transportation/automobile parking services;
- Printing and reproduction services
- Landscaping, lawn, or agricultural services
Living Wage Service Contracts (cont.)

Contract pricing is not charged per labor hour. Examples:
- Janitorial – rate is per building or type of cleaning (not hourly)
- Landscaping – rate is per location or size of property (not hourly)
- Call Center – rate is per hour for full scope of work (includes staff, equipment, suppliers, etc.)
- Shuttle bus – rate is a management fee and burdened hourly in-service bus hour rate by vehicle type.
Living Wage Hourly Rates

- An hourly rate, that includes qualifying “health care benefits” set at a minimum amount; or

- A higher wage rate, that does not include qualifying health benefits (when an employer does not offer health benefits);

2018 Current Rates

= $12.38 per hour *including* health benefits of $1.61

or

= $13.98 per hour *without* health benefits
Living Wage
Current Provisions/Methodology

- Vendors must anticipate the annually adjusted LW rates, without direct reimbursement.
- The indexing methodology caps annual increases at 3% and cannot exceed the County’s unrepresented employees’ compensation percentage increase.
- There are no contracts with pass thru rates (per LWO, only allowed with the Board’s expressed approval).
- Covers Contractors’ employees 20 hours or more
- Covers benefit eligible County employees (full or part time- 20 hours or more)
Living Wage Service Contracts

- Approximately 85 current covered open-end contracts* as of October 2018; not including Airport concessionaire contracts and Airline Service Providers

- Paid-to-date for covered contracts is approximately $185M
  - Contract initial terms range from 2014 until recently (2018). The start of each contract depends on award date and contract term.
  - Top 10 contracts account for $150M (80%)
  - The largest spend of contracts include: transportation, security, trash, parking, call center services, and maintenance/service contracts.

*Open-end contracts are multi-year contracts, awarded with an initial term, and renewal options. There are currently no fixed contracts.
Living Wage Indexing

• Originally set to 110% of Federal Poverty Guidelines (FPG) for a family of four.
• Federal poverty levels are used to determine eligibility for certain federal health programs, including Medicaid and the Children’s Health Insurance Program (CHIP)
• Beginning in October 2004, and every year after, the LW rate was indexed to Miami Primary Municipal Statistical Areas (PMSA) Consumer Price Index for all Urban Consumers (CPI-U), which is based on prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and other goods and services that people buy for day-to-day living.
FLL Airport
Direct, Indirect and Concession Contracts
Airport Direct Service Contracts

• Included in the original ordinance
• Includes contracts such as janitorial, ground transportation, parking management, landscaping and grounds management
Living Wage – Added “Covered Services”

- **October 2014** – added food & beverage, news & gifts *concessionaires* and certain retail concessionaire services at Airport terminals and car rental (any value)

- **October 2015** – added *airline service providers* contracts (indirect services) such as ground handling/ramp services, ground equipment provisioning/maintenance, air carrier maintenance, airplane fuel service, porter service, passenger service, janitorial, security, baggage delivery, aircraft cleaning, and operation of private club.
Airport Indirect Contracts (Airline Service Providers)

- Since October 2015, Indirect contracts are covered by the Living Wage Ordinance
- There are 64 of these contracts at the airport (Airline Service Providers)
- The County is not a party to these contracts
- Covers approximately 1,600 employees
- Providers will have to work with airlines as most of these agreements come via bids or the provider could be forced to absorb the increase
Airport Concession Contracts

- Living Wage not applicable as contracts entered into before October 2014
- Covers over 1,000 employees
- Future Contracts will be covered by the Living Wage Ordinance
- 4 of the 5 concessionaires voluntarily pay the current Living Wage
- Airport Staff will negotiate with concessionaires for the higher rate

<table>
<thead>
<tr>
<th>Contract Exp. Date</th>
<th>Concessions</th>
<th>Living Wage Y/N</th>
<th># of Contracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>Duty Free</td>
<td>N</td>
<td>1</td>
</tr>
<tr>
<td>2027</td>
<td>News and Gifts</td>
<td>Y</td>
<td>2</td>
</tr>
<tr>
<td>2032</td>
<td>Food and Beverage</td>
<td>Y</td>
<td>2</td>
</tr>
</tbody>
</table>
Health Care Benefits
Living Wage “Health Care Benefits”

Per LWO, “health care benefits” means health insurance coverage...consists of wellness and preventative care, including maternity, and that provides the services described in Sections 408.9091(4)(6) and (7), Florida Statutes.
Florida Statutes 408.9091

“Cover Florida plan” components that are required (not an inclusive list):

- Plans are offered on a guaranteed issue basis to enrollees, subject to exclusions for pre-existing conditions.
- Plans are portable (enrollee remains covered regardless of employment status or the cost sharing of premiums).
- Eligibility to enroll for Florida residents between 19 and 64 years of age, inclusive; not covered by a private insurance policy and are not eligible for coverage through a public health insurance program, such as Medicare, Medicaid, or Kidcare, unless eligibility for coverage lapses due to no longer meeting income or categorical requirements.
- Residents have not been covered by any health insurance program at any time during the past 6 months unless coverage under a health insurance program was terminated within the previous 6 months due to:
  1. loss of a job that provided an employer-sponsored health benefit plan;
  2. COBRA coverage exhausted; reaching age limit per the policy; and, death or divorce from a spouse provided employer sponsored health benefit plan.
The Affordable Care Act (ACA)

- A covered employer (50 or more full time equivalent employees) offering benefits in 2018 cannot charge the employee more than 9.56% of the employee’s household income without paying a penalty; in 2019, the percentage will increase to 9.86%.
- At the current living wage of $12.38 per hour, the max the employee can be charged for benefits is $1.18.
- Based on the current ordinance, the 2019 living wage rate of $12.62, the max the employee can be charged for benefits is $1.24.
- The current $1.61, or the projected 2019 rate of $1.63 under the existing ordinance for health benefits actually exceeds the ACA requirement if the employer is providing coverage.
Example of 2018 ACA Health Exchange Rates
Single Coverage

<table>
<thead>
<tr>
<th>Age</th>
<th>Current Living Wage Rate - $12.38 per Hour</th>
<th>Proposed Living Wage Rate $12.99 per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Plan 1 Rate</td>
<td>Monthly Plan 2 Rate</td>
</tr>
<tr>
<td>25</td>
<td>$188</td>
<td>$156</td>
</tr>
<tr>
<td>30</td>
<td>$232</td>
<td>$158</td>
</tr>
<tr>
<td>40</td>
<td>$280</td>
<td>$159</td>
</tr>
</tbody>
</table>

Living Wage Health Insurance Rate - $1.61 per hour = $279 per month

Living Wage Health Insurance Rate - $1.63 per hour = $282 per month

Rates are based on non-smokers. Rates don’t differ by gender.
Under ACA, a full-time employee is defined as an employee working an average of 30+ hours per week

Source: www.healthcare.gov
## Comparison: Broward County vs. ACA Health Exchange Coverage

<table>
<thead>
<tr>
<th></th>
<th>Broward County</th>
<th>Plan 1</th>
<th>Plan 2</th>
<th>Plan 3</th>
<th>Plan 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Deductible</strong></td>
<td>$1,350 Indiv/ $2,700 Family Medical &amp; Pharmacy combined</td>
<td>$940 Indiv/ $1,880 Family - Medical &amp; Pharmacy Combined</td>
<td>$1,000 Indiv/ $2,000 Family Medical $500 Indiv/$1,000 Family Pharmacy</td>
<td>$0 Medical &amp; Pharmacy Combined</td>
<td>$200 Indiv/ $400 Family - Medical &amp; Pharmacy Combined</td>
</tr>
<tr>
<td><strong>Annual Max Out-of-Pocket</strong></td>
<td>$3,425 Indiv/ $6,850 Family</td>
<td>$4,700 Indiv/ $9,400 Family</td>
<td>$6,350 Indiv/ $12,700 Family</td>
<td>$1,050 Indiv/ $2,100 Family</td>
<td>$600 Indiv/ $1,200 Family</td>
</tr>
<tr>
<td><strong>Primary Doctor</strong></td>
<td>20% after Deduct</td>
<td>$90 copay</td>
<td>3 free visits, then 20% after Deduct</td>
<td>$2 copay</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Specialist</strong></td>
<td>20% after Deduct</td>
<td>$120 copay</td>
<td>20% after Deduct</td>
<td>$10 copay</td>
<td>$45 copay</td>
</tr>
<tr>
<td><strong>Emergency Room</strong></td>
<td>20% after Deduct</td>
<td>20% after Deduct</td>
<td>$250 copay after Deduct</td>
<td>$150 Copay</td>
<td>$600 copay then Deduct</td>
</tr>
<tr>
<td><strong>Generic Drugs</strong></td>
<td>20% after Deduct</td>
<td>$15 copay after Deduct</td>
<td>$10 copay</td>
<td>$2 copay</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Preferred Brand Drugs</strong></td>
<td>20% after Deduct</td>
<td>15% after Deduct</td>
<td>$25 copay after Rx Deduct</td>
<td>$20 copay</td>
<td>$25 copay</td>
</tr>
</tbody>
</table>

56 Plans on the Exchange to select from
FISCAL/BUDGET IMPACT $13 vs $13.27

Fiscal/Budget Impact to County General Fund on Increasing the Living Wage to Contracts and County Employees:

$13
Impact on Living Wage Contracts: $1.04 million annually
Impact on County Employees (93) - $272,000
Total = $1.312 million

$13.27
Impact on Living Wage Contracts: $1.52 million annually
Impact on County Employees (121) - $306,000
Total = $1.826 million
## Tri-County Living Wage Comparison, 2003 to 2018

<table>
<thead>
<tr>
<th>CALENDAR (C) OR FISCAL YEAR (FY)</th>
<th>BROWARD COUNTY</th>
<th>MIAMI-DADE COUNTY</th>
<th>PALM BEACH COUNTY</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hourly Rate</td>
<td>Qualifying health benefit amount</td>
<td>Hourly Rate w/out Emp. Health Benefits</td>
</tr>
<tr>
<td>2003 (FY)</td>
<td>$9.57</td>
<td>$1.25</td>
<td>$10.82</td>
</tr>
<tr>
<td>2004 (FY)</td>
<td>$9.77</td>
<td>$1.28</td>
<td>$11.05</td>
</tr>
<tr>
<td>2005 (FY)</td>
<td>$10.15</td>
<td>$1.33</td>
<td>$11.48</td>
</tr>
<tr>
<td>2006 (FY)</td>
<td>$10.63</td>
<td>$1.39</td>
<td>$12.02</td>
</tr>
<tr>
<td>2007 (FY)</td>
<td>$11.07</td>
<td>$1.44</td>
<td>$12.51</td>
</tr>
<tr>
<td>2008 (FY)</td>
<td>$11.07</td>
<td>$1.44</td>
<td>$12.51</td>
</tr>
<tr>
<td>2009 (FY)</td>
<td>$11.07</td>
<td>$1.44</td>
<td>$12.51</td>
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<tr>
<td>2010 (C)</td>
<td>$11.13</td>
<td>$1.44</td>
<td>$12.57</td>
</tr>
<tr>
<td>2011 (C)</td>
<td>$11.13</td>
<td>$1.44</td>
<td>$12.57</td>
</tr>
<tr>
<td>2012 (C)</td>
<td>$11.13</td>
<td>$1.44</td>
<td>$12.57</td>
</tr>
<tr>
<td>2013 (C)</td>
<td>$11.46</td>
<td>$1.49</td>
<td>$12.95</td>
</tr>
<tr>
<td>2014 (C)</td>
<td>$11.46</td>
<td>$1.49</td>
<td>$12.95</td>
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<tr>
<td>2015 (C)</td>
<td>$11.68</td>
<td>$1.52</td>
<td>$13.20</td>
</tr>
<tr>
<td>2016 (C)</td>
<td>$11.84</td>
<td>$1.54</td>
<td>$13.38</td>
</tr>
<tr>
<td>2016 (C)**</td>
<td>$11.84</td>
<td>$1.54</td>
<td>$13.38</td>
</tr>
<tr>
<td>2017 (C)</td>
<td>$12.03</td>
<td>$1.56</td>
<td>$13.59</td>
</tr>
<tr>
<td>2018 (C)</td>
<td>$12.38</td>
<td>$1.61</td>
<td>$13.98</td>
</tr>
</tbody>
</table>

** FY 2016: Miami-Dade County used two rates based on when contracts went into effect (first rate was for contracts prior to October 2016; second rate were for contracts entered after October 1, 2016).

***Miami-Dade County rates effective October 1, 2017 to September 30, 2018.
Recommendations

1. Living Wage (LW) Rate
   a. Effective 1/1/2019, LW rate adjusted to $13 (as opposed to $12.62 under current index) - 5% increase;
      i.  Inclusive of current annual index (1.8%)
      ii. Re-negotiate all current agreements with a 5% adjustment to labor portion only if contract as a pass-thru to cover new LW rate, compression and any other factors.
   b. Effective 1/1/2020, LW rate adjusted to $13.27 plus any adjustment for current indexing (i.e. not to exceed 3% or the increase provided to the County’s unrepresented employees).
   c. Thereafter, any LW adjustment based on annual index as currently provided.
Recommendations (cont.)

2. Health Care Differential (HCD)
   a. Effective 1/1/2019:
      i. HCD adjusted to $1.63
      ii. New process for County to determine if employer’s health plan complies with Federal ACA standards.
   b. Impact:

<table>
<thead>
<tr>
<th>Employer Plan</th>
<th>Employee Action</th>
<th>Employee Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doesn’t Offer Affordable Health Care</td>
<td>No option</td>
<td>LW+HCD</td>
</tr>
<tr>
<td>Employer Offers Affordable Health Care</td>
<td>Accepts w/proof of insurance w/out proof of insurance</td>
<td>LW</td>
</tr>
<tr>
<td></td>
<td>Declines</td>
<td>LW + HCD</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LW (HCD rebated to County)</td>
</tr>
</tbody>
</table>

   c. Thereafter, any HCD adjustments based on annual index as currently provided.