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City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMITTEE MEMORANDUM

TO: Mayor Philip Levine and Members of the City Commission

FROM: Jimmy L. Morales, City Manager

DATE: July 30, 2014

SUBJECT: **DISCUSSION BY THE FINANCE AND CITY-WIDE PROJECTS COMMITTEE (THE "COMMITTEE") REGARDING INDEXING THE LIVING WAGE RATE FOR FISCAL YEAR 2014-2015 IN ACCORDANCE WITH THE OPTIONS PURSUANT TO ORDINANCE 2010-3682.**

BACKGROUND

In this fiscal year 2013-2014, the hourly living wage rate paid to employees of City contractors is set at the fiscal year 2012-2013 rate of \$11.28/hr with health benefits of at least \$1.64/hr, and \$12.92/hr without benefits. Prior to approval of the fiscal year 2013-2014 budget, the City Commission did not increase the living wage rate for 2013-2014 from 2012-2013 rate pursuant to provision 1(b) noted below. If the intention of the City Commission is to index (increase) the current living wage rate for subsequent fiscal year(s), the options, pursuant to Section 2-408 (d) of the City Code entitled, Indexing, are as follows:

1. Index for inflation using the Miami Primary Metropolitan Statistical Area (PMSA) Consumer Price Index for all Urban Consumers (CPI-U) Miami/Ft. Lauderdale, issued by the U.S. Department of Labor's Bureau of Labor Statistics.
 - a. Notwithstanding the preceding, no annual index shall exceed three percent (3%);
 - b. Nor shall an annual increase exceed the corresponding annual compensation increase (if any) provided to unrepresented (i.e. unclassified) city employees.

2. Elect not to index the living wage rate in any particular year, if the Commission determined it would not be fiscally sound to implement same.

The City Code also requires that the determination to index (or not index) the living wage rate shall be considered annually during the City Commission's review and approval of the City's annual operating budget. Possible scenarios for indexing the current living wage rate, as well as the fiscal impact of each scenario, are attached for the Committee's consideration.

CONCLUSION

The Administration is seeking guidance regarding the living wage rate for fiscal year 2014-2015.

JLM / MT / AD / RA

ANALYSIS FOR LIVING WAGE RATES FOR FISCAL YEAR 2014-2015

	Hourly Rates with and without Health Benefits	Change in LW over Current FY Rate	FICA Impact (7.65%)	Impact Rate	Estimated Financial Impact for FY14-15 ***
Current City of Miami Beach LW Rate	\$11.28 / \$12.92	NA	NA	NA	\$0.00
If CPI-U for Miami-Fort Lauderdale from June 2012 through June 2014 (4.0%)*	\$11.73 / \$13.44	\$.45/\$.52	\$.03/\$.04	\$.48/\$.56	\$338,000
If CPI-U for Miami-Fort Lauderdale from June 2013 through June 2014 (2.4%)**	\$11.55 / \$13.23	\$.27/\$.31	\$.02/\$.02	\$.29/\$.33	\$201,500
If Miami Dade County LW Rate for FY14-15 (10.45%)	\$12.46 / \$14.27	\$1.18/\$1.35	\$.09/\$.10	\$1.27/\$1.45	\$884,000
If COLA increase to unclassified employees for FY14-15 (3%)	\$11.62 / \$13.31	\$.34/\$.39	\$.03/\$.03	\$.37/\$.42	\$256,750

* These figures represent the applicable CPI-U increase from June 2012 through June 2014. This information is provided in the event that the City Commission desires to increase the living wage rate to "make-up" for any living wage increases not applied in prior years. For FY13-14, no living wage rate was approved.

** These figures represent the applicable CPI-U increase from June 2013 through June 2014 only. In FY13-14, a living wage increase was not approved by City Commission because no COLA increase had been approved for unclassified staff (as noted in the ordinance).

*** Impact calculations are based on the average of "with benefits" and "without benefits" rates and an estimated 650,000 service hours per year based on contractual commitments.

Sec. 2-408(d). Indexing.

The living wage rate and health care benefits rate may, by resolution of the city commission, be indexed (increased) annually for inflation using the Miami PMSA Consumer Price Index for all Urban Consumers (CPI-U) Miami/Ft. Lauderdale, issued by the U.S. Department of Labor's Bureau of Labor Statistics. Notwithstanding the preceding, no annual index shall exceed three percent (3%); nor shall an annual increase exceed the corresponding annual compensation increase (if any) provided to unrepresented (i.e., unclassified) city employees. The city commission may also, by resolution, elect not to index the living wage rate in any particular year. The determination to index (or not index) the living wage rate shall be considered annually during the city commission's review and approval of the city's annual operating budget. In the event that the city commission has determined, in any particular fiscal year (or years), to not index the living wage rate, and thereafter determines that making up all or any part of the prior year's (or years') unindexed percentage would not have an adverse fiscal impact upon the city, then the city commission shall also have the right, but not the obligation, to cumulative index the living wage rate to "make up" for any deficiencies in the prior year (or years) where there was (were) no increase(s) (the "catch up" election). The "catch-up" election must be approved by resolution, and may only be considered during the city commission's review and approval of the city's annual operating budget.