December 4, 2018

Board of Supervisors
County of Marin
San Rafael, CA 94903

Re: Living Wage Ordinance (LWO) Annual Report for FY 2017-18; Consideration of 2019 LWO Cost of Living (COLA) Adjustment

RECOMMENDATION
It is recommended that your Board review and accept the Living Wage Ordinance Annual Report for FY 2017-18; including a cost of living (COLA) adjustment for 2019.

BACKGROUND
The Living Wage Ordinance (LWO) was implemented in 2002. It requires that the County Administrator (CAO) provide annual reports to the Board of Supervisors on the effect of the Living Wage Ordinance. Each year, County departments are surveyed regarding the impact of the LWO, if any, upon their services or operations and the CAO reports on these findings. In addition, the CAO makes recommendations regarding any LWO wage rate adjustment for the ensuing calendar year. While the LWO requires an automatic COLA increase based upon the October-to-October increase in the Bay Area Consumer Price Index (CPI), it also requires a recommendation from the County Administrator incorporating financial conditions.

The LWO wage rate was last increased effective January 1, 2018 to the current $14.20 per hour without benefits, and $12.45 per hour including benefits. The Bay Area Consumer Price Index (CPI) increased by 4.36% from October 2017 to October 2018, a higher than typical increase.

If your Board takes no action to forgo a COLA, rates will be automatically increased by 60 cents to $14.80 per hour not including benefits, or $13.00 per hour including benefits, given the 4.36% CPI increase, effective January 1, 2019. If your Board acts to forgo a COLA in light of financial conditions, rates would remain unchanged.

We also update your Board annually on any statutory, policy or budget changes impacting the In-Home Supportive Services (IHSS) program, which can significantly impact estimated costs for any LWO rate adjustment.

ANNUAL REVIEW
Departmental input was again solicited regarding impacts to services or operations as a result of the LWO in FY 2017-18. As has become the norm, no material or unexpected cost increases or reductions in level of service were reported. Neither were any complaints filed regarding compliance with the LWO.
POLICY CONSIDERATIONS
In-Home Supportive Services (IHSS) and the LWO Rate
As you will recall, the adjustment of wages for then approximately 1,200 IHSS service providers in 2002 represented by far the most significant impact of the LWO. The IHSS Public Authority has consistently reported that these wage and benefit increases improve recruitment and retention efforts for providers. Today there are approximately 1,550 IHSS providers serving Marin clients.

Per a recent survey of California counties, Marin’s IHSS hourly provider wage rate remains the highest wage among our comparison counties, due largely to the wage floor established by our LWO since 2002. Among all 58 California counties surveyed, Marin County is currently second highest at $14.20 per hour, with only the City and County of San Francisco higher at $15.00 per hour. With your Board’s approval, Marin County’s rate would increase from the current $14.20 up to $14.80. The chart below summarizes hourly rates for IHSS providers among Marin’s seven comparison counties as of October 2018:

<table>
<thead>
<tr>
<th>Current IHSS Provider Rates (as of October 2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparison Counties</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Marin</td>
</tr>
<tr>
<td>Sonoma</td>
</tr>
<tr>
<td>San Mateo</td>
</tr>
<tr>
<td>Monterey</td>
</tr>
<tr>
<td>Napa</td>
</tr>
<tr>
<td>Santa Cruz</td>
</tr>
<tr>
<td>San Luis Obispo</td>
</tr>
<tr>
<td>Santa Barbara</td>
</tr>
</tbody>
</table>

Given the approximately 1,550 IHSS providers impacted by the LWO, the IHSS program has traditionally represented a significant factor for the County when considering the fiscal impact of the LWO. Below is an update regarding recent policy issues impacting the IHSS program.

The IHSS Maintenance of Effort (MOE)
Effective FY 2017-18, your Board will recall that County IHSS program costs were re-based by the State to include 1) newly added costs due to an increasing State minimum wage, 2) sick leave pay to IHSS workers, and 3) additional costs due to federal action to require overtime pay. These costs also include an ongoing inflation factor of 7% per year starting in FY 2019-20, where previously the program had a 3.5% annual MOE inflator.

The 2017 May Revision mitigated these new costs in 2018 and 2019 with a re-based MOE, some additional State funding, and lower cost inflators in 2017 and 2018. However, the 7% annual inflator beginning FY 2019-20 still remains. While the state agreement mitigated the short-term impacts, our local program costs can be anticipated to increase significantly going forward with the 7.0% annual inflator, barring any policy change at the state level. The Governor’s 2017 May Revision deal included a reopener after two years, for which we and other counties will advocate renegotiation of the 7% annual inflator, which we believe is simply not sustainable for counties.
10% Over Three Years Provision Offsets County Costs

On a more positive note, the 2017 May Revision also included a provision for counties currently at or exceeding the then $12.10 per hour State participation cap, in which the State will pay 65% of the non-federal costs up to a maximum 10% increase in wages or benefits over a 3-year period. This provision is beneficial to Marin and other coastal counties, acknowledging our more expensive labor market. Absent this new “10% rule”, counties above the State cap – like Marin – would have to absorb the entire non-federal cost of any COLA increases.

Marin first took advantage of this three-year 10% rule last year. Per the State’s approval notice earlier this year, this first three-year period will end on January 31, 2021, after which time the County may choose to utilize a second (and final) three-year period through 2023 in which the State will pay 65% of the non-federal costs up to a maximum additional 10% increase in wages or benefits over 3 years. Any recommended LWO COLA increase will include State payment of 65% of the non-federal costs, significantly reducing the County’s costs for the CPI adjustment.

COST OF LIVING ADJUSTMENT

Your Board has the option to forego a LWO COLA for the ensuing calendar year based upon financial conditions, a determination informed by a recommendation from the County Administrator as a component of the annual report on the living wage. The LWO wage rate was last increased effective January 1, 2018 to the current $14.20 per hour without benefits or $12.45 per hour with health benefits.

Staff Recommendation: Based on your Board’s past policy direction and given that the State’s revised IHSS funding agreement includes a provision that the State will participate in 65% of non-federal costs up to a maximum 10% increase in wage or benefit costs, we are recommending an automatic LWO rate increase effective January 1, 2019, consistent with the October-October change in the Bay Area CPI. This would represent the second (of three) year of the initial three-year “10% rule” utilization.

The 60 cent per hour increase proposed here would result in additional ongoing General Fund costs of approximately $312,000 annually for IHSS providers, which would also increase the County’s IHSS MOE subject to the 7.0% annual MOE inflator mentioned earlier.

Three County classifications will be impacted by the recommended action. Performance Attendants and County Services Workers are currently compensated up to $14.57 per hour (step 5). Seasonal Firefighters currently start at $14.59 per hour (step 1). Should your Board approve the recommended CPI adjustment, we are also requesting approval to revise those salary ranges that would be directly impacted, including any compaction issues between steps. The total net annual cost to these classifications would be less than $10,000 annually. (While the cost for Seasonal Firefighters would be approximately $100,000, these are fully covered by state revenues and will therefore have no net impact on the General Fund.)

We will advise contract managers to ensure their LWO-eligible contractors comply with the new rates effective January 1 2019. Because IHSS providers are paid by the State, staff will work with the California Department of Social Services to implement the change as soon as possible, expected to be no later than February 1st.
**Alternative Option:** Take action today to forgo a COLA adjustment to the LWO rate effective January 1, 2019. Rates would remain unchanged at $14.20 per hour (non-benefitted) and $12.45 per hour if health benefits are provided.

**Fiscal Impact**
The fiscal impact of approving staff’s recommendation to allow a 4.36% increase to the LWO wage rate effective January 1, 2019 is additional General Fund costs of up to approximately $161,000 for the balance of FY 2018-19, inclusive of approximately $5,000 in County staffing costs, with estimated annual or ongoing costs of approximately $322,000.

Without the additional State IHSS cost participation per the 10% rule, the additional local cost for IHSS providers would be up to $892,000 on an annualized basis. With the State funding 65% of the non-federal cost (or $580,000), County IHSS costs are estimated to increase $312,000 annually (which will increase the County’s IHSS MOE base, against which the 7.0% inflator will be applied - absent any state policy change - beginning next fiscal year). We will coordinate closely with CSAC and our County lobbyist to discuss a repeater of the State IHSS deal to address the fiscally unsustainable 7.0% annual MOE inflator.

If your Board should have any questions, please feel free to contact us directly.

Sincerely,

[Signature]
Charlotte Jourdain
Management & Budget Analyst

Reviewed by,

[Signature]
Daniel Eilerman
Assistant County Administrator