



October 15, 2019

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Board of Supervisors  
County of Marin  
San Rafael, CA 94903

**Re: (1) FY 2018-19 Living Wage Ordinance Annual Report; (2) Consideration of 3.0 Percent Cost of Living (COLA) Adjustment for 2020; and (3) First Reading of Ordinance Amending Marin County Code Section 2.50.050 - "Living Wage Rate," Allowing Wage Increases for In-Home Support Services Providers Contingent upon Continued 65 Percent State Share of Non-Federal Costs, and Adopting an April-to-April CPI Index**

### RECOMMENDATIONS

It is recommended that your Board:

1. Review and accept the 2018-19 Living Wage Ordinance (LWO) Annual Report;
2. Approve 3.0% Cost of Living Adjustment (COLA) effective January 1, 2020; and
3. Approve First Reading of Ordinance Amending the LWO.

### BACKGROUND

The Living Wage Ordinance (LWO) requires that the County Administrator (CAO) provide annual reports to your Board on the effect of the LWO, if any. Each year, the CAO surveys departments and reports on any findings. The CAO also makes recommendations regarding a wage rate adjustment for the ensuing calendar year.

While the LWO currently requires a COLA increase based upon the October-to-October increase in the Bay Area Consumer Price Index (CPI), it requires a recommendation from the CAO incorporating financial conditions. LWO Section 2.50.050 (c) also includes a provision capping CPI increases to \$15.00 per hour for In-Home Support Services (IHSS) providers, consistent with the state's minimum wage path to \$15.00 per hour by 2022. The state minimum wage is anticipated to increase to \$13.00 effective January 1, 2020 and \$14.00 by January 1, 2021.

The LWO wage rate was last increased January 1, 2019 to the current \$14.80 per hour without benefits (\$13.00 including benefits). While the Bay Area CPI is projected to increase by 3.0 percent (October 2018 to October 2019), the actual change will not be known until mid-November 2019. Today we are recommending that your Board conduct a First Reading of an Ordinance to:

- Permit a wage increase above the current \$15.00 hourly wage cap for IHSS providers, contingent upon continued 65 percent state share of non-federal costs, affording a recommended 3.0 percent increase effective January 1, 2020 to \$15.25 per hour (non-benefitted) and \$13.40 per hour (including benefits) for all LWO-eligible contracts or employees consistent with estimated CPI growth;
- Allow future wage increases for IHSS providers contingent on continued 65 percent state participation in non-federal costs for IHSS provider wage and benefit increases, and

- Change from an October-October to April-April Bay Area CPI timeframe to better align with consideration of the annual Proposed Budget.

**ANNUAL REVIEW**

Departmental input was solicited regarding impacts to operations as a result of the LWO in FY 2018-19. As has been the norm, no noteworthy impacts were reported (such as unexpected cost increases or reductions in level of service). Neither were any complaints filed regarding compliance.

**POLICY CONSIDERATIONS**

**In-Home Supportive Services (IHSS) and the LWO Rate**

In 2002, the adjustment of wages for then approximately 1,200 IHSS service providers represented 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.

Per a recent survey of California counties, Marin’s IHSS hourly provider wage rate remains the highest wage among our comparison counties largely due to the wage floor established by the LWO since 2002. Among all 58 California counties, Marin County is currently second highest at \$14.80 per hour, with only San Francisco higher at \$16.00. With your Board’s approval, Marin County’s rate would increase from the current \$14.80 to \$15.25 per hour. The chart below summarizes current hourly rates for IHSS providers among Marin’s seven comparison counties as of March 1, 2019:

<b>Current IHSS Provider Rates (March 1, 2019)</b>	
<b>Comparison Counties</b>	<b>Current Hourly Wage</b>
Marin	<b>\$14.80</b>
San Mateo	<b>\$13.90</b>
Sonoma	<b>\$13.00</b>
San Luis Obispo	<b>\$13.00</b>
Monterey	<b>\$12.50</b>
Santa Cruz	<b>\$12.46</b>
Napa	<b>\$12.10</b>
Santa Barbara	<b>\$12.10</b>

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

**IHSS Policy and Budget Changes**

Reduced 4.0 Percent Maintenance of Effort (MOE) Inflation Mitigates Ongoing Costs  
 Effective FY 2018-19, 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 for IHSS workers, and 3) additional costs due to federal action to require overtime pay. These “realigned” costs included an ongoing 7 percent MOE inflation factor starting FY 2019-20; previously the annual MOE inflator was 3.5 percent. A reopener provision to reexamine the 2017 IHSS package was critical as counties contended from the outset that an ongoing 7 percent inflator was unsustainable.

Governor Newsom’s 2019-20 IHSS MOE package mitigated many of these added costs in 2018 and 2019 with a re-based MOE, additional state funding, and lower inflators in 2017 and 2018. It also reduced the ongoing MOE inflator to 4 percent beginning 2020-21, addressing counties’ largest ongoing cost concern.

10 Percent Over Three Years Option Helps Offset IHSS COLA Costs

The 2017 May Revision also included a provision for counties exceeding the then \$12.10 per hour state participation cap, in which the state would pay 65 percent of non-federal costs up to a maximum 10 percent increase in wages and benefits over a three-year period. This provision was beneficial to Marin. Absent this new “10 percent option”, counties above the state cap – like Marin – would have to absorb the entire non-federal cost of any COLA increases. We are also afforded a second 10 percent option for an additional three years after application of the first.

Marin has taken advantage of this option with the last two CPI increases. The first three-year period will end January 31, 2021, after which time the County may choose to implement the second (and final) three-year period through 2023, in which the state will continue to pay 65 percent of all non-federal costs up to a maximum additional 10 percent increase in wages or benefits from 2021-2023. This would significantly reduce the County’s costs for any CPI adjustment impacting IHSS providers, the primary beneficiary of our LWO, though the state’s revised 4 percent annual MOE inflator will be applied to the increased cost base.

Because the County has already taken advantage of \$1.00 of the permitted \$1.46 per hour per the initial three-year 10 percent option, only 46 cents per hour remains - capping our 2020 LWO CPI adjustment to no more than \$15.25 (a 45 cent increase, or 3.0%); the LWO requires adjustments be rounded to the nearest 5 cent increment.

**COST OF LIVING ADJUSTMENT**

Your Board retains 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, 2019 to the current \$14.80 per hour without benefits (\$13.00 per hour with benefits).

**Staff Recommendation:** Given the state’s IHSS funding agreement, we are recommending a LWO rate increase effective January 1, 2020 to \$15.25 per hour. This represents the maximum wage rate under which the state will continue to fund 65 percent of non-federal costs in the IHSS program with the final year of our initial three-year “10 percent option” utilization. This 45 cent per hour increase would result in added General Fund costs of approximately \$308,000 per year for IHSS providers, which also increases the County’s IHSS MOE subject to the 4 percent MOE inflator.

This recommendation requires a change to the LWO to amend Section 2.50.050 (c), allowing wage increases for IHSS providers above the current \$15.00 LWO hourly wage cap, contingent on continued 65 percent state participation in non-federal costs for IHSS provider wage and benefit increases. We anticipate this will be available for 2020, as well as for the following three years with utilization of the second “10 percent over three years” option for 2021-2023. We will also recommend a change in the annual CPI base from October-October to an April-April timeframe, which will enable more clarity for budget purposes regarding any COLA adjustments. Today’s action includes a First Reading of an Ordinance to do so.

We do not expect any County classifications will be impacted by the recommended action. Performance Attendants and County Services Workers are currently compensated up to \$15.67 per hour – above the recommended \$15.25 per hour wage rate.

Should your Board adopt our recommendations, we will advise contract managers to ensure their eligible contractors comply with the new rates effective January 1, 2020. Because IHSS providers are paid by the state, and the state requires a 60-day wait period for approval and implementation, 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 1, 2020.

While the new IHSS funding agreement also requires a new MOU between the County, IHSS Public Authority and SEIU Local 2015, which represents providers, the IHSS Public Authority has been in touch with the union and will be considering a temporary addendum to accommodate the union's schedule for 2020 MOU negotiations.

**Fiscal Impact**

The fiscal impact of approving staff's recommendation to allow a 3.0 percent increase to the LWO wage rate effective January 1, 2020 equates to additional General Fund costs of approximately \$154,000 for the balance of FY 2019-20. Estimated annual or ongoing costs are approximately \$308,000. (Without the state's 65 percent non-federal cost share associated with the 10 percent option, the additional local cost of the recommended increase for IHSS providers would be approximately \$879,000 annually.)

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

Sincerely,



Daniel Eilerman  
Assistant County Administrator

Reviewed by,



Matthew Hymel  
County Administrator