



Agenda Item Commentary

Date

August 4, 2014

Agenda Item : B

Submitted By

Cara Pavlicek, Village Manager

Village Manager's Office Review: CLP

Agenda Item Title

Motion to receive the Village Manager's memorandum dated July 11, 2014, which outlines a possible process for evaluating a Living Wage Ordinance.

Synopsis

This a follow-up to the Village Board's discussion from June 16, 2014, at which time the Village Manager was asked to review and recommend a process for consideration of a Living Wage Ordinance in the Village of Oak Park.

Recommendation

Receive the report and set a future meeting date or study session for discussion.

Fiscal Impact

N/A

Background

Attached is a memorandum dated July 11, 2014, which presents a blueprint for the Village to consider a living wage ordinance. The Village Board is asked to receive the report as part of the public meeting.

Alternatives

The Board can alternatively discuss the matter at this time as opposed to setting a future date for discussion.

Previous Board Action

On June 16, 2014, the Village Board discussed the prior action of the Village Board (on July 6, 2010) to reject the creation of a living wage ordinance in Oak Park for the purpose of determining whether or not support existed to re-consider the matter.

Citizen Advisory Commission Action

The Community Relations Commission met in 2009-2010 to review the impacts of a living wage ordinance in Oak Park.

Anticipated Future Actions/Commitments

N/A

Intergovernmental Cooperation Opportunities

N/A

Performance Management (MAP) Alignment

Community Relations is participating in the current phase of creating measurements for 2014.

Attachments

Memorandum dated July 11, 2014

Community Relations Commission's Report, February 17, 2010

Community Relations Commission's Minority Report, February 28, 2010

**Community Relations Commission
Oak Park Living Wage Ordinance**

Minority Report

February 28, 2010

The Minority Report is submitted by Chairperson John R. Murtagh and Commissioner Cecil Hunt III of the Oak Park Community Relations Commission. The report considers the risks associated with adoption of a Living Wage Ordinance and recommends that an ordinance not be enacted.

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How the Living Wage Arrived in Oak Park

At the Oak Park Township's Annual Town Hall Meeting on April 8, 2008, two Oak Park residents introduced a motion to have a living wage ordinance referendum in the Village of Oak Park Village. The township approved the motion and sent it to the Cook County Clerk's office. The county put in on the on the November 4, 2008 Village of Oak Park ballot. The motion stated:

"Shall the Village of Oak Park enact a "Living Wage" ordinance stipulating that:
a) Village employees, b) employees of contractors or subcontractors performing work for the Village, and c) employees of businesses that receive a significant financial subsidy from the Village, receive a living wage indexed to inflation that would include health benefits and paid time off?"

Voters approved the advisory referendum.

Oak Park LW Referendum Results	
11-04-09	
Yes 60.2%	No 39.8%

On February 2, 2009, the Oak Park Village Board voted to assign the Living Wage Ordinance review to the CRC.

(The Greater Oak Park Democratic Socialists of America, Unity Temple Social Mission Committee, Oak Park Coalition for Truth & Justice and the Young Democratic Socialists of Oak Park and River Forest High School are co-sponsors of the Living Wage Ordinance effort.)

Definition of Living Wage

The most frequent used living wage definition is:

A living wage is a wage that allows families to meet their basic needs, without public assistance, and that provides them some ability to deal with emergencies and plan ahead.

Definition variations exist. For instance, Harvest for Humanity defines a living wage as *"The level of income sufficient to allow workers to support their families without dependence upon outside (public) assistance."*

The Living Wage Problem

Unlike most government poverty programs (ex. Food Stamps), the Living Wage does not consider the household or family income of the worker when establishing eligibility. There is a single criterion. If a worker's hourly wage is less than the living wage hourly rate established in an ordinance, the worker's pay increases to the ordinance's hourly rate. For example, if the worker is married to a person receiving a high salary, say \$100,000, the worker is still eligible for the pay increase.

The unorthodox approach makes it exceedingly difficult to ensure that the increased wages are going to poverty families.

Characteristics of Living Wage Ordinance

Three categories of employment are used in a living wage; city employees, employers contracted by the city (in this paper, city includes towns, villages, etc.), and businesses or organizations that receive financial assistance from the city. (Workers with confirmed eligibility are "Covered Employees." The businesses they work for are "Covered Employers.") One category does not necessarily fit all as is shown below:

Living Wage Category Combinations
(Selections Made by 88 Cities with Active Ordinances)

Type Combination	#
Contractor Only	31
Contractor and Financial Assistance	25
Employee and Contractor	11
Employee, Contractor, and Financial Assistance	10
Financial Assistance Only	7
Employee Only	3
Employee and Financial Assistance	1

Exceptions and Thresholds

Living wage ordinances use Exceptions and Thresholds extensively. Exceptions are the exclusions of groups of companies or workers from an ordinance (ex. non-profits, part time workers, etc). Thresholds allow the setting of a monetary or numbers of employees limit below which the companies do not have to comply with an ordinance (ex. companies with less than five employees, companies receiving less than \$50,000 in grants.)

History of the Living Wage

The Living Wage Movement is a grassroots effort supported by national and local social justice organizations, unions, and religious organization. The movement's mission is to encourage and sponsor living wage ordinances. The movement has participated in most of approximately one-hundred and forty living wage ordinances in the United States. Des Moines, Iowa approved the first ordinance in 1988. Currently there is one state – Maryland, twenty-five counties, several schools and hospitals, and about 90 cities with active living wage ordinances. Of the ordinance cities, New York with 8.4 million people is the largest and Cambridge, Massachusetts is the smallest--6,400 people. Thirty-one states have cities with ordinance. California, Michigan, and New York account for 45% of all city ordinances.

Commission records indicate that twenty-three approved living wage referendums did not become ordinances including: Pittsburgh, Houston, South Bend, Baton Rouge, New Orleans, Knoxville, Salt Lake City, Camden, and Provo.

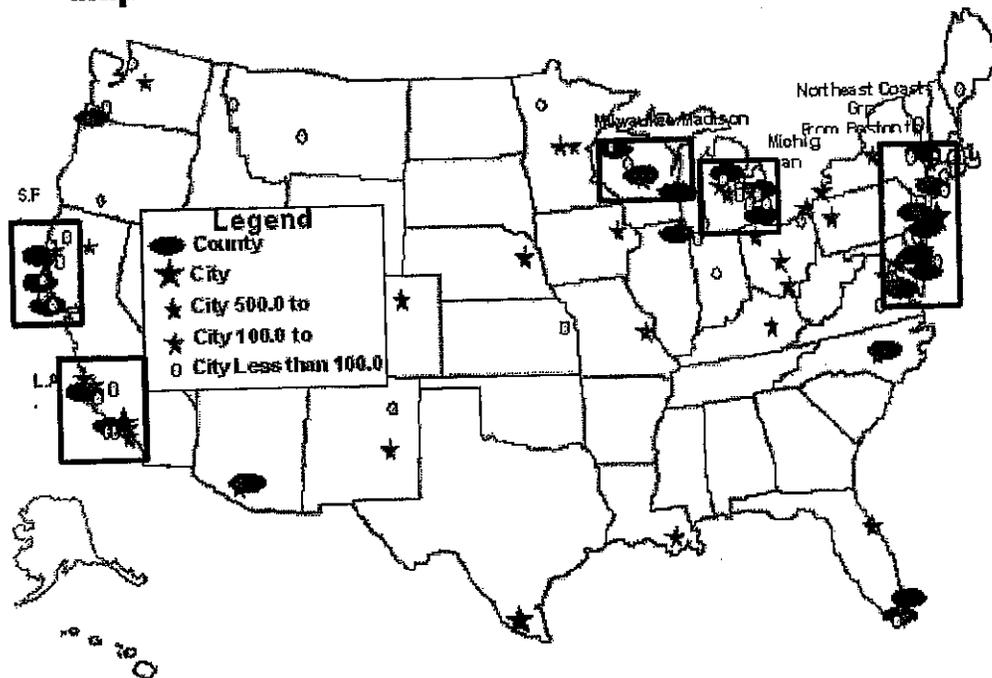
National Living Wage Summary

Most public sources state that more than one-hundred and forty Living Wage though no single source since 2003 provides detailed information that identifies the cities and the type ordinance approved.

Below is my reconciliation of ordinances approved since 1988 with quantitative detail by state, county, etc. The reconciliation includes the number of ordinances that were repealed. The total number of ordinances passed is One hundred and forty three. The total of active ordinances is one hundred and twenty six. One hundred and six cities (incl. towns, villages, etc.) have passed ordinances. Seventeen city ordinances were repealed. The active city ordinance total is eight-nine.

Living Wage Ordinance Summary	
Cities	106
Repealed (all are cities)	(-17)
Cities with Active Ordinances	89
Counties	26
State (Maryland)	1
Others	10
Total LW Ordinances Adopted	143
Total LW Ordinances Active	126

Map of Counties and Cities w/ Living Wage Ordinance



Characteristics of Living Wage Cities

They are primarily:

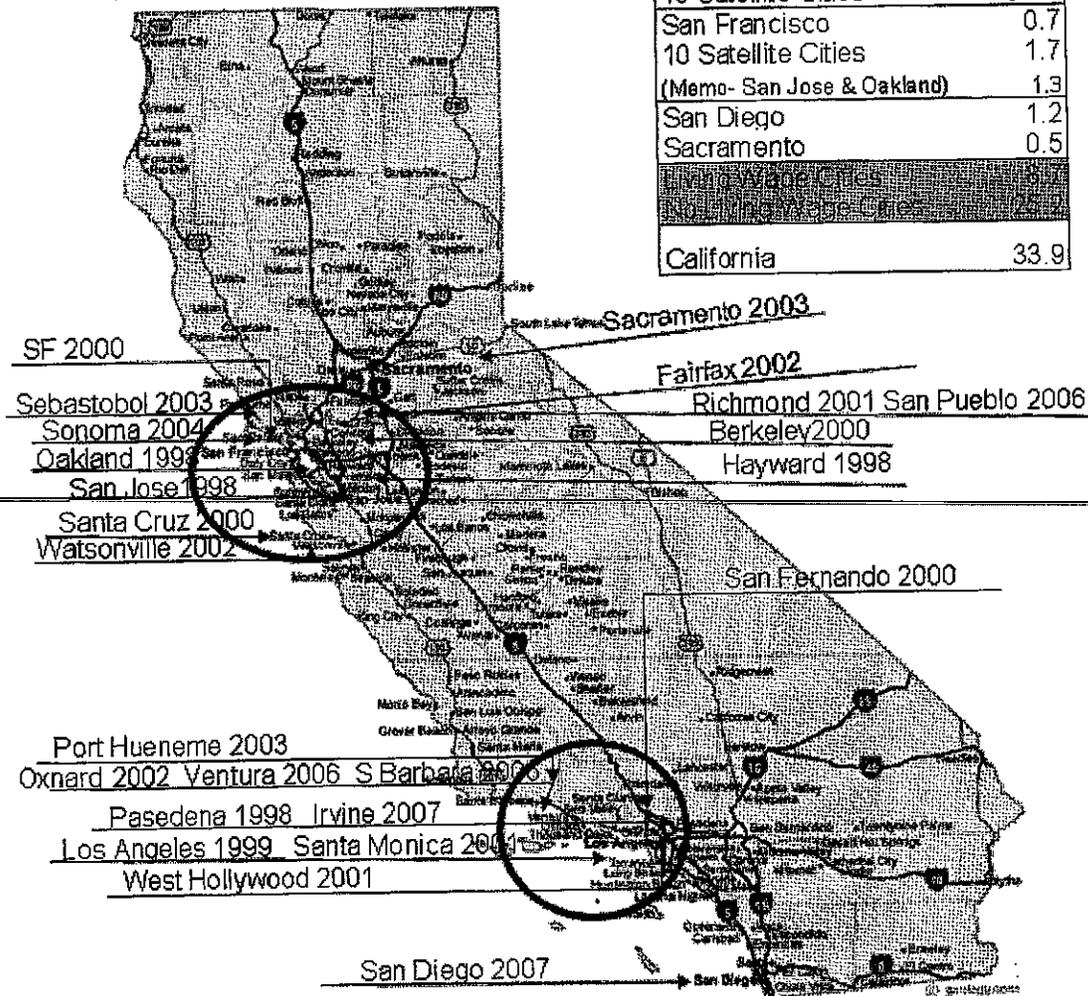
- In coastal areas
- In manufacturing dominated cities
- In cities with major universities and colleges
- In resort (tourist) cities
- In cities with high cost of living
- In strong union cities
- Cluster cities in high density metropolitan areas

(See next page for Californian Cluster Chart)

Living Wage Cluster Cities - California

California has twenty-four cities with living wage ordinances, more than twenty percent of the country's total. Twenty-two of the cities are metropolitan area clusters located in San Francisco and Los Angeles. The common factor in the cluster cities is not poverty. The common factor is the interdependency of cities that are major tourist attractions. The cities in the clusters employ a high number of lower paid workers in hotels, restaurants, and entertainment venues. Lower paid employees change jobs frequently seeking higher incomes. The high turnover creates a predatory recruitment environment in an industry where high customer satisfaction is the key to success. Common living wage laws amongst cluster cities helped to stabilize worker turnover – a plus for the workers and businesses. In some cluster cities, for example, Santa Monica, the ordinance applies only to specific areas of the city with hotels, restaurants, and recreation venues targeted at tourists. Seventy-five percent of cities in California do not have living wage ordinances.

Cities	Pop. (Million)
Los Angeles	3.8
10 Satellite Cities	0.8
San Francisco	0.7
10 Satellite Cities	1.7
(Memo- San Jose & Oakland)	1.3
San Diego	1.2
Sacramento	0.5
No Living Wage Cities	33.9
Total Living Wage Cities	2.2
California	33.9



LW ordinances are active in other tourist centers including San Diego, Orlando, and Miami.

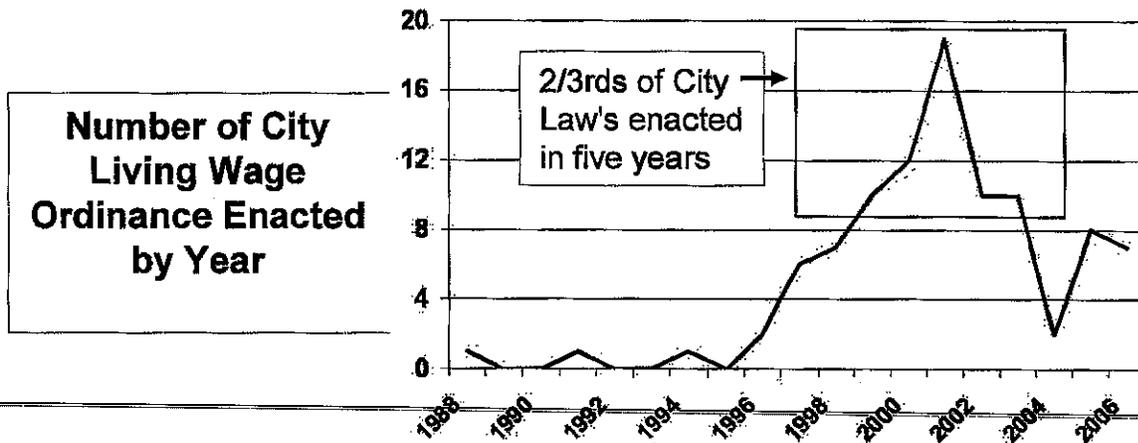
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Living Wage Ordinances in Illinois

There are only two living wage ordinances in Illinois – Chicago and Cook County. Both apply solely to contractors and subcontractors and have relatively low hour rates – about \$11.50. In September 2006, the Chicago City Council voted to extend the existing ordinance to selected business (Big Box). Mayor Daley vetoed the legislation. An attempt to override the mayor's veto failed.

Sixty-five percent of Bloomington Illinois' voters approved an advisory Living Wage Referendum in November 2008 covering about two hundred seasonal and part-time city employees. The living wage hourly rate proposed was \$9.81. In March of 2009, the city council voted against a living wage ordinance due to the city's fiscal deficit. Bloomington's council had previously voted against a living wage in 2004.

With the exception of Oak Park, there are no known Living Wage Ordinances pending in Illinois.



Living Wage Outcomes

In the United States from 1988 to 1996, only eleven city living wage ordinances were approved. Sixty-eight ordinances were approved from 1997 to 2003. The sharp increase in ordinances came following the 1997 increase in the national minimum wage for the first time in six years. The increase from \$4.75 to \$5.15 was less than ten cents per year. The small increase angered many workers and shifted grass root organization's focus from minimum wage increases to living wage ordinances. As a result, the number of living wage ordinances approved from 1998 to 2003 was five-hundred percent higher than the 1988 to 1996 period.

The chart below shows ordinance proposal during three periods between 1988 and 2009.

Ave. City Ordinance Approvals by Period	
1988-1997	1.1
1998-2003	11.3
2004-2009	4.1

Grassroots organizations' resources are limited making it difficult to focus on a minimum wage and living wage campaign simultaneously. Multiple campaigns with a similar subject are also confusing to voters. With President Obama having made a higher minimum wage (also referred to as a living wage) a campaign issue, it is likely that the slow growth in living wage ordinances will continue for most of President Obama's term.

It is unlikely that the federal government will adopt a national living wage law comparable to those already in place. It is also not likely that additional states will adopt living wage ordinances, and the low growth pace of new city ordinance is unlikely to change. For 2009, there have been no new living wage ordinances identified.

Are Living Wage Ordinances Reaching Centers of Poverty?

If we accept that the seriousness and significance of the working poor wage plight, then ensuring that the limited funds are directed those most in need is imperative.

It is a known and widely accepted fact that most of the thirty-five million people living in poverty live in urban centers. Yet 58% of the cities with active ordinances are located in cities with poverty below the national average of 13% as is shown on the chart below.

Poverty Rate by City with Active Ordinances

Poverty Rate (2000 Census)	# Ordinances
2% or Less	2
3-5%	5
6-13%	44
14-20	28
20% or more	9

Cities without living wage ordinance and with poverty rates exceeding 20% include Newark N.J., New Orleans La., Atlanta, Ga., Birmingham Al, Fresno, Ca.

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Living Wage Ordinance in Oak Park

The CRC has established the following during its review of a living wage ordinance in Oak Park.

The Village of Oak Park does not have legal authority to extend the referendum's scope to other village taxing bodies. Only the Village of Oak Park is subject to the Living Wage Referendum. Excluded are all other taxing bodies in Oak Park.

Village Employee – No full time Village of Oak Park employees are eligible to become "Covered Employees." Their wages are higher than the living wage hourly rate under consideration. At this time, there are no contentious issues.

While no village, employees are likely to become "covered employees", significant fiscal impact could occur if village employees and unions interpret the approval of any part of a living wage ordinance as establishing a precedent for hourly wage standards in the village. For instance, if there was an Oak Park Living Wage Ordinance for contractor or financial assistance living wage, village employees could seek higher hourly wage because they are more skilled, better educated, have more experience, and/or have completed specialized. The chart below indicates possible impacts.

Oak Park Full-Time Employees	Hourly Rates		
	Low	Average	High
SEIU (Building	\$19.25	\$22.72	\$28.68
Teamsters (Equipment	\$22.68	\$24.67	\$25.34
Community Service	\$18.62	\$22.67	\$24.56
Living Wage Hourly Rate	\$14.84*		

Contractors and Sub Contractors (who perform work for the village) – The draft ordinance excludes contracts for professional services such as legal, banking, architectural, and computer services. The vast majority of other city contracts are in the Department of Public Works. A discussion with the DPW and a review of the last two years of contracts indicate that most of the contractor's employees are skilled workers with salaries above the poverty line. The direct financial impact on the village of this category is likely to be minimal.

Ninety percent of cities with active living wage ordinances chose the Contractors option. More than one-third chooses only the Contractor feature.

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Financial Assistance – With the strong possibility that the no village employees and very few contractor workers will qualify as “covered employees”, considerable attention was given to businesses receiving financial assistance.

Definition of Financial Assistance The model ordinance says financial assistance is “Something of economic value awarded or conveyed to a Person (individuals, partnerships, corporations, etc.) by or through the approval of the Village of Oak Park, for the purpose of promoting economic development, job retention, or job growth.”

Type Financial Assistance The model ordinance states: “Financial Assistance includes, but is not limited to, grants; below market rate loans; deferrals or reductions of payments due on a loan; financial planning assistance; tax incentive or abatements; tax increment financing; bond financing; rent subsidies; land write-downs, rebates; and contingent obligation taken on by the village.”

Major Features of the Financial Assistance Category

All financial assistance administered by the village is subject to the ordinance; including CDGB funds

Businesses, including OP partner agencies, receiving financial assistance totaling more than \$50,000 or more a year are subject to the ordinance

Businesses with five employees (ten for non-profits) or more are subject to the ordinance

A beneficiary ceases to be Covered Employer” five years from the date of the most recent Financial Assistance Agreement

Sub-tenants of a beneficiary are subject to the ordinance ***(The commission recommends that this provision be excluded from the ordinance)***

Covered Employees will be paid \$14.84 per hour and provided medical care and time off from work (paid sick days up to 10 days a year, and paid leave up to 12 days a year. ***(The originally recommended Oak Park Living Wage Hourly Rate has been reduced to \$11.50.)***

Covered Employers can claim a credit for Health Care provided to employees

The Living Wage will be increased annually based on government inflation statistics – Indexing

Employees of Contractor/Sub Contractors performing on-site services for a Beneficiary at property that is receiving subsidies are Covered Employees

Grant Programs

Page revised on 1-29-10

The likely business effect of a living wage ordinance on the Oak Park is avoidance by the business community. Why? If a business takes a grant above \$50,000 (proposed threshold), increased living wages would offset the grant amount in a short period. For instance, a company with five minimum wages would offset a \$50,000 grant in ten months. With ten employees, it would take five months. The burden of increased wages does not end when the grant level is met. It is stipulated in the ordinance that "covered employees" receive the increased wages for five years after the grant funds are accepted. Over a five-year period, the increased wages would exceed the grant by a factor of six -- \$300,000. The financial peril of accepting grants would necessitate avoidance.

Making matters worse is the ordinance provision that employees of contractor/sub contractors performing on-site services for a beneficiary at a property that is receiving subsidies are Covered Employees.

Businesses could continue to accept grants below \$50,000, but the experience in other cities has been that living wage proponents will force lower threshold to eliminate the practice.

The irony of the proposed ordinance is that while the likely business response would result in no workers being identified as "covered employees", the disruption in the grant program would harm the village and businesses' ability to maintain the high village's high standards. Both retail sales and employment would decline.

Commercial Development Programs

Developers of commercial properties (Colt Building, Sertus Project at Lake and Forest, etc.) work as partners with city government by sharing risk. While developers provide the vast majority of the funding for major developments, it is a common practice for municipalities to provide free land, loans, and tax incentives. The motivation for the cities in providing assistance is to increase tax revenues. Adding value in terms of properties and businesses has a direct relationship with tax income. Since developers have the option to find other communities that will share risk, cities can lose taxes revenues if they refuse to participate.



In New York City, a legislative battle took place over the conversion of a 350,00 square foot armory into retail space. The completed project would add 1,200 jobs. New York's LW ordinance does not contain a financial assistance component.

Living wage proponents lobbied the New York City Council to include living wages with benefits for all retail workers citing subsidies given to the developers for land acquisition.

The city council revised its ordinance to provide a higher wage in December, and the developers withdrew from the project in January.

The Living Wage Hourly Rate

In February 2009, the CRC received a proposed Oak Park ordinance from the referendum sponsors. The document contained an Oak Park Living Wage Hourly Rate recommendation of \$14.84.

The commission was advised that Penn State University's Living Wage Calculator* was used for the hourly rate calculation. PSU's calculator stores demographic data by city for public use in social studies. Included in their databases are costs of food, child-care and education, healthcare, housing, transportation, other necessities, and taxes. The factors are the cost determinants for establishing living wage for LW covered employees. The demographic information and an assumption on the employee's family size determine the wage. For the Oak Park, the assumed family size was two adults and two children.

After commissioners had an opportunity to use the calculator, it was determined that four flaws existed in the methodology.

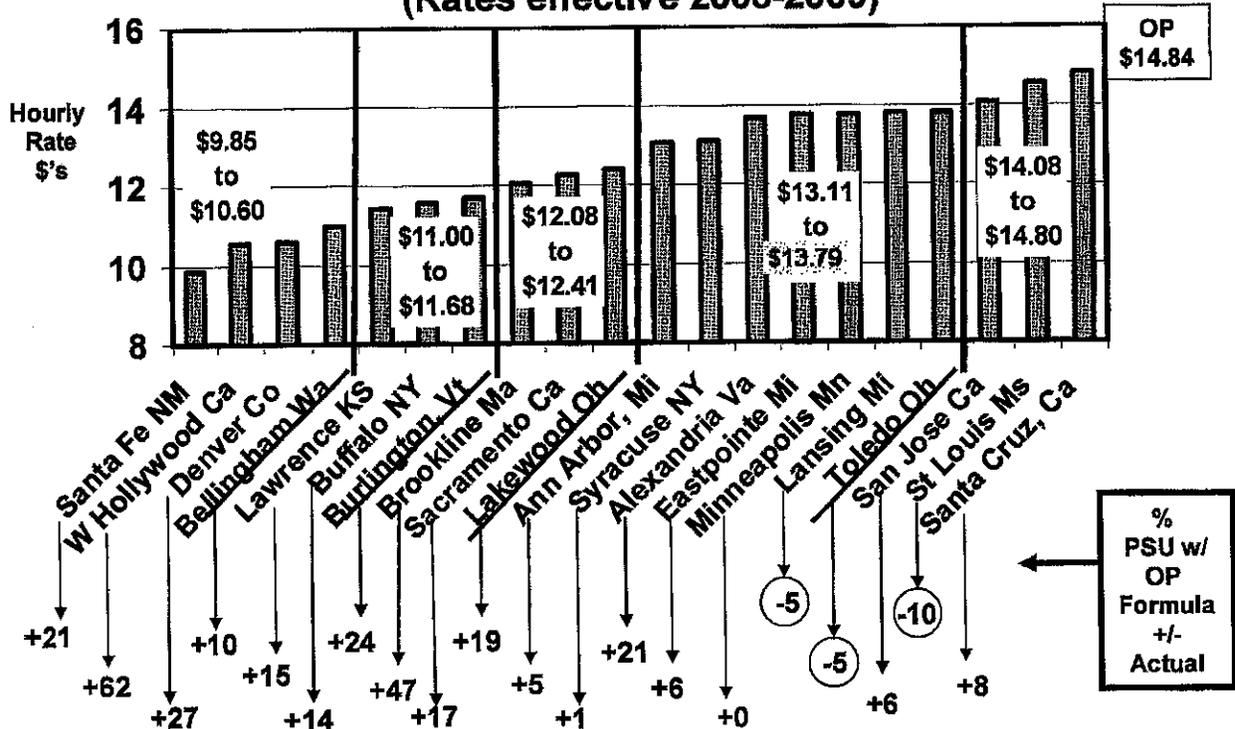
1. The family size assumption was unsupported by data
2. The factors used in the PSU Living Wage were Cook County data (Less Chicago) and not Oak Park specific
3. The factors disproportionately weighted housing cost
4. The calculation did not comprehend the worker's time off provision of the proposed ordinance. The additional cost of the time off provision adds an estimated \$0.87 per hour to the living wage

~~PSU was not able to confirm that any municipalities had ever used the PSU Calculator to determine an ordinance.~~

To determine if \$14.84 was representative the proposed hourly wage of \$14.84 was compared to twenty cities with active living wage ordinances. A second comparison, twenty cities' living wage hourly rate versus to the hourly rate generated by the PSU Living Wage Calculator, was also conducted.

The charts on the next page show the comparisons.

Actual Living Wage Hourly Rate - Twenty Cities (Rates effective 2008-2009)



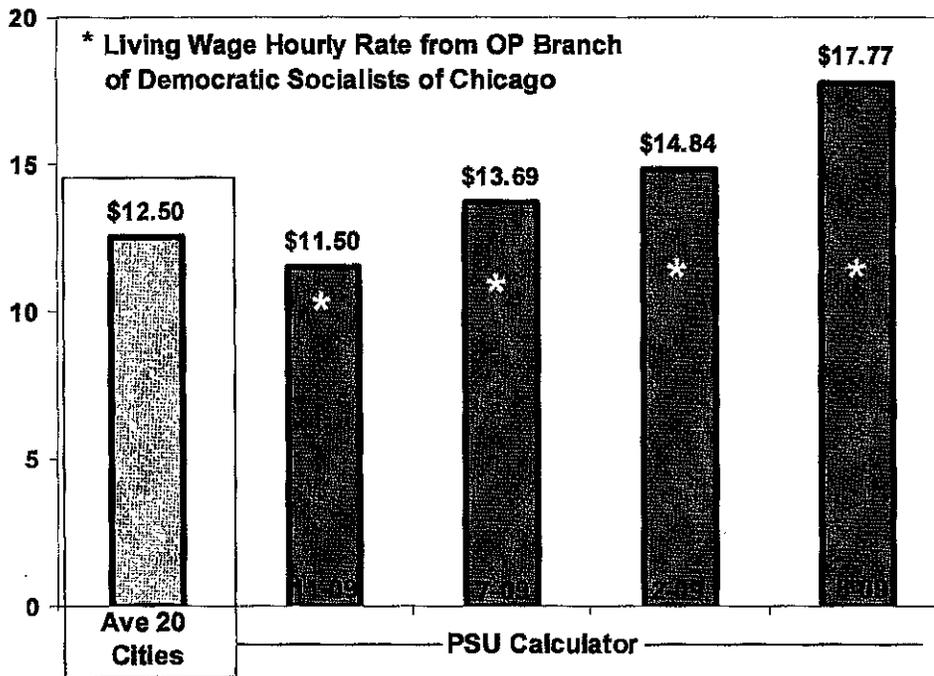
- Oak Park at \$14.84 would have one of the highest living wages in the country.
- There were many cities with population, demographics, and culture similar to Oak Park with hourly rates considerably below Oak Park, including Ann Arbor (Michigan), Alexandra (Virginia), Brookline (Massachusetts), and Bellingham (Washington).
- In seventeen of twenty cases (bottom of Chart 1) the PSU Calculator (with OP Formula – divide by two) exceeded the actual city living wage hourly rate.

In the latest report draft submitted by the CRC writing team supported an Oak Park Living Wage Ordinance, the hourly rate was reduced from \$14.84 to \$11.50. The rate decline of \$ 3.83 was explained as a family size assumption change to the PSU Living Wage Calculation. Changing the assumption from two adults and two children to two adults and one child resulted in a decline of \$3.83 in the recommended wage. No data was available to prove the demographic data used to make the living wage reduction.

Living wage rate increases in cities with ordinances are approved regularly; usually annually. Since living wage rates are not normally bound by contracts, proponents of increases employ political tactics to gain increases. For instance, Chapel Hill N.C. passed a living wage ordinance in June, 2009 with a rate of \$11.06. On January 26, 2010 Orange County Justice United petitioned the city council for a higher living wage in 2010 increases citing a National Low Income Housing Coalition's estimate that workers need to earn \$15.31 per hour to live in Chapel Hill. The city council is studying the motion.

There has been four different Oak Park hourly wages using the PSU Living Wage Calculation methodology . They range from \$11.50 to \$17.77. With the exception of the most recent hourly wage (\$11.50), all are higher than the twenty city average of \$12.50.

Oak Park Living Wage Hourly Rates
Reviewed or Discussed



The living wage hourly rate was the most important subject in the commissions review. The issue is far from resolved.

Also discussed was the draft ordinance's provision for the indexing of wages to inflation. Indexing for inflation is risky because it can escalate wage rapidly in an inflationary economy. It also can result in pressure from current workers for indexing. Many cities choose to use link-ins to local union settlements and some make provisions for a committee to determine wage adjustments periodically.

A growing factor in determining living wage is medical costs, which have accelerated faster than wages. In its 2009 living wage adjustment, Los Angeles (airport employees only) did not raise wages, but did increase the allowance for medical coverage. Previously, workers not receiving medical coverage from their employers received \$11.55 (\$10.30 wage - \$1.25 medical coverage) per hour. Those receiving employer medical benefits received \$10.30. The ordinance amendment increased the medical coverage portion from \$1.25 to \$4.50. Employers not providing medical coverage will now pay \$14.80 per hour.

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Oak Park Living Wage Summary

Before approving a living wage ordinance, financial experts should conduct an impact study of the proposed living wage hourly rate. The study should not only include an assessment of the current proposed annual hourly rate, but the impact of all wage on current and future hourly rates.

Oak Park Living Wage Summary

While the Oak Park Living Wage Referendum of November 4, 2008 did not mention the word social justice, it has been a significant discussion subject throughout the deliberations of the CRC. All commissioners who served during the nine month of meetings have supported the urgent need to find a way to support the primary purpose of the referendum. That is, improve the lives of the working poor. It is a *given* that poverty, unemployment, underemployment, and low wages is a significant social justice problem that require continued attention by all levels of government.

Ultimately, the CRC role was to assess whether a living wage ordinance is a meaningful participation in finding solutions to the poverty problem while evaluating the risks to Oak Park. In all social justice issues, the collision point is money -- Who pays to solve the social justice issues, and are the payment equitable? The living wage doctrinaire position is that equity is a bogus issue raised to avoid confronting the poverty problem. The pragmatic position is that social justice legislation should not unduly penalize the benefactors.

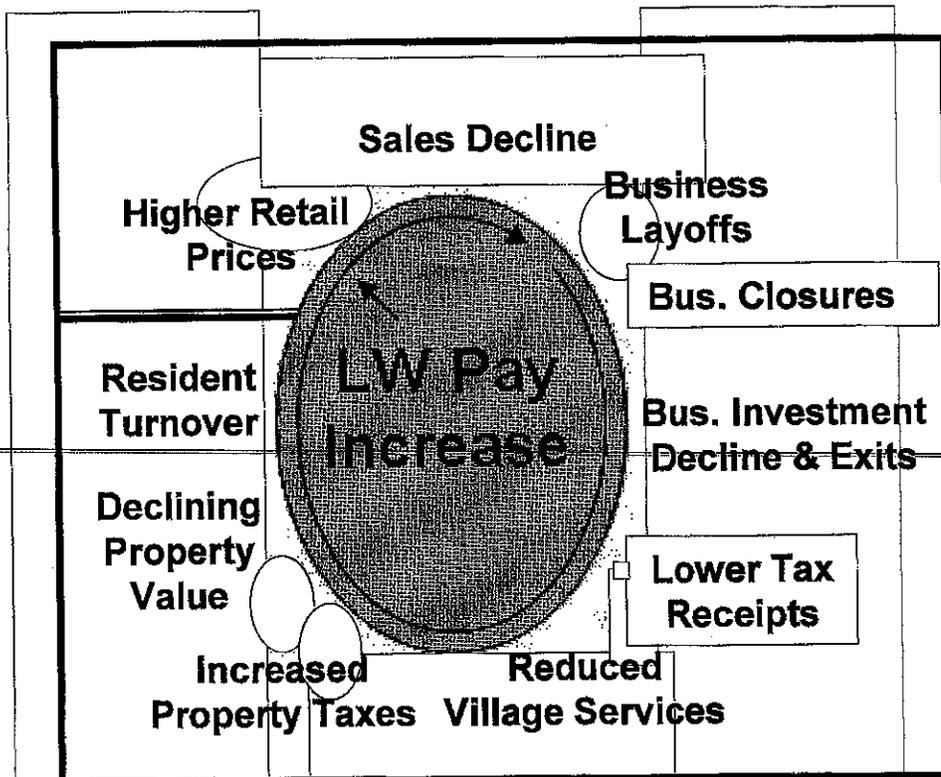
The Oak Park Village Board has the responsibility to resolve the issues that has arisen in the living wage discussion. As a legislative body, they have fiduciary responsibilities. They represent the entire community and cannot embrace a doctrinaire position. They have no choice but to address issue of money. The issue of money is complex. The board cannot simple check its budget balance to make a decision. It has to consider the long term financial, cultural, and social cost of every proposal that is proposed. As the commission's role is advisory to the board, it must face the fiscal issues as well. The CRC's role is to provide a cost/benefit assessment.

It should be noted that the resources of the working poor are not limited to wages. Families below the poverty line are provided with food stamps, housing subsidies, transportation, medical care, and many other successful programs provided federal, state, county, and city governments.

The key data and information to calculate financial impact was just not available. That does not mean that the commission will not be able to provide the board with decision ready qualitative information that will be beneficial to the board.

Living Wage in Motion

The illustration below depicts the worst-case scenario of a living wage ordinance. The illustration is not a forecast of bad things to come. Rather it is a depiction of importance of solid village planning in an environment of change. Declines in business communities follow clear patterns that are affected by location, competition, product offerings, and pricing. Disruptions to any one of the factors can lead to deteriorations in the other factors. The chart above does not imply that a living wage ordinance will result in the continuum displayed. It does imply that every action (living wage ordinance) has a reaction that must be considered carefully.



Potential Impact of Declining Competitiveness on Village, Businesses, and Residents

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Beneficiaries Versus Benefactors

The commission has established that there will be very few "covered employees" resulting from an ordinance. There are no or few village employees eligible for "covered employee" status and few eligible in the ranks of the contractor category. Financial Assistance is the most controversial and contentious category. On the grant side, it is likely that small businesses (new and old) will avoid taking grants over \$50,000, as the living wage expense offset is high. If that is the choice made by Oak Park businesses, it is highly likely that there will be no "covered employees" in the short term.

On the commercial development side, the acceptance of grants or other forms of financial assistance is likely to continue, but the form of support is in doubt. The writing team in the latest draft report removed the provision that tenants of a development receiving financial assistance would be subject to the living wage hourly rate. This reduces some risk, but does not eliminate it.

At the Chamber of Commerce meeting by a local business owner cited that when a new retail store open as tenants in a new development, surrounding business must respond to a changing sales environment. The response includes changes in product lines, improvement in facilities, and upgrades of technology and business processes. All are expensive. If existing businesses accepted grants, over \$50,000, from the village, they would be subject to the living wage ordinance and labor cost would have to be absorbed. If they decline the grants, funds for capital improvements would be limited in an increasingly competitive market. With retail tenants in new developments excluded from being "covered employers", it is likely that existing businesses would choose free market wage strategies over grants and business improvements.

There is high risk associated with the financial assistance component in the short term; but more importantly, the long term. Without question, it would change to dynamic of the relationship between the village and business owners. The competitiveness issues amongst business might also necessitate a second look at the village's master plan.

How Oak Park is Different

"Whereas, such compensation requirements have the potential to increase consumer income, and thereby decrease the number of employees whose incomes are below the poverty level, invigorate neighborhood business, help reduce blight in the Village of Oak Park, and reduce..."

The "Whereas" appear in the opening of the Oak Park Living Wage Ordinance recommended by the referendum sponsors.

The quotes on the previous page is not a promise, but it does raise expectations that a Living Wage Ordinance can be a positive for the village; or at least not have a significant negative impact.

Unfortunately, the statement is largely invalid in Oak Park. Oak Park has one of the lowest poverty rates (3.6) and highest employed rate (72.3%) in the country (2000 Census) and most workers employed in jobs considered below the poverty rate do not live in the village. Therefore, local retail sales are unlikely to grow because of a living wage.

	Population (000's)	Family Poverty Households	Income Under \$15,000 Families
Oak Park, IL	52,500	3.6%	9.3%
25 LW Cities under 100,000 Pop. Average %	58,800	10.6%	19.2%

The ordinance originally written at NYU Brennan School of Social Justice targeted large and highly populated cities in the United States. Since most urban cities have a large amount of inexpensive housing, most of the "covered workers live in the same city where they work. This not only ensures that the bulk of their higher living wages will be spent in the city with the ordinance, but that some of the higher wage will go to improving their homes.

Ironically, in Oak Park, it is not housing that is at risk of blight, but commercial buildings. Oak Park has a growing problem with empty retail buildings, some that have been empty for a long time. It is possible that a living wage ordinance with higher salary costs could result in additional commercial vacancies, longer periods of idleness, and reduced expenditures on building upkeep. That is, it could lead to commercial blight.

The Cultural Impact of a Living Wage Ordinance

In the 1960's African Americans, in a search for housing, were moving west. Real estate agents, using illegal and unfair business practices, exploited racial divisions that resulted in white flight. Oak Park residents chose to stay and fight for the acceptance of a diverse community unbounded by traditional racial segregation. Oak Park enacted creative laws to penalize real estate agents illegal practices and ensure that people of all colors could choose housing based on their needs and desires. It created staff activities to guide the village in its goal of attaining racial harmony. Oak Park's successful effort to be different, to fight rather than flee continues to serve and inspire its residents today.

Today, Oak Park is a 21st Century village. It is diverse, law abiding, generous, friendly, wholesome, and a village of peaceful and quiet excitement. Oak Park is a village that provides small town sensibilities despite being located in one of the largest metropolitan areas in the county. It embraces change, but only after careful consideration. It embraces new ways within its own set of values. Oak Park steadfastly protects its right of independent governance and home rule.

The Village of Oak Park is not a single entity. It is part of a community made up a council of governments, partners, commissions, independent businesses, and social and charity organizations. The structure is interconnected and interactive. It works best when it works together.

The president of the lead sponsoring organization stated in the Wednesday Journal of August 8, 2008 "The group (sponsoring organizations) couldn't find a way to cover every taxing body in the village, so it decided to start with village hall. If the effort succeeds there, the hope is that it could be applied to other entities such as the library, school districts and park district."

The statement is very important. It means the village is a proxy for all taxing bodies and the Village of Oak Park Living Wage Ordinance will be a template for the other taxing bodies. A long drawn out process could ensue in a community that prides itself on common decisions and common sense.

Keeping Local Legislative Independent

The Living Wage Movement works hard to create a sense that there is only one-way to address the working poor's poverty. They prefer that you use their processes to make change, and adopt their beliefs. The approach is contrary to the historical legislative approach of the village. The village does not seek to copy legislation from other communities, though it does research them to find and assess new ideas. It does not take the easy way when a creative ground breaking opportunity is available. The residents understand that Oak Park is a unique and that its government must be unique as well. Oak Park's uniqueness necessitates creative solutions. The draft ordinance of the Oak Park Living Wage Ordinance provides none.

The risk is not just financial. It is also a threat to the independent, local home rule style legislative approach that keeps Oak Park unique.

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The Public Response

Nearly 27,000 voters expressed their opinion (16,100 Yes, 10,700 No) on whether Oak Park should have a living wage ordinance on November 4, 2008. Since then the Community Relations Commission has held ten meetings and a public forum, and the local newspapers have had several articles on the living wage issue.

The residents of Oak Park have chosen not to join the discussion. Only a few members of the public have appeared at our public meetings. Those who attended were ordinance proponents or opponents. Letters to the Editor regarding the living wage have been sparse. Even the biggest aficionados of local buzz are silent on the living wage. The issue has lacked public passion.

A Quote from an Expert

David Neumark, Senior Fellow at the Public Policy Institute of California made the comment below at the conclusion of his book: How Living Wage Laws Affect Low-Wage Workers and Low-Income Families.

"A cautious reading of the evidence, then, suggests that, on net, living wages may provide some assistance to the urban poor. But this by no means implies that living wages constitute the best method of combating urban poverty, in terms of cost-effectiveness or distributional effects. Policymakers contemplating implementing living wage laws, and policy analysts assessing living wage laws, should give full consideration to comparisons among different methods of reducing poverty, including various types of living wage laws and alternative policies altogether."

Final Thought

Dr. Bill Barclay, a local resident and a economist active in the Living Wage Movement wrote recently : *"A living wage ordinance is a viable approach to lessening the inequality of a number of workers without imposing undue burdens on others."*

The statement captures the single question that the Community Relations Commission has addressed for ten months. ***Do the benefits of a living wage ordinance offset the risks and burdens that accompany it?***

Our findings are that the risks and burdens far outweigh the benefits.



"Social justice imposes on each of us a personal responsibility to work with others to design and continually perfect our institutions as tools for personal and social development."

Center for Economic and Social Justice

Report on the Living Wage in Oak Park

Community Relations Commission

Approved: February 17, 2010

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Report on the Living Wage in Oak Park

Community Relations Commission

Approved: February 17, 2010

I. Introduction

On November 4, 2008 the electorate of Oak Park voted in a non-binding ballot initiative to support the enactment of a Living Wage (LW) ordinance for the Village of Oak Park. The ballot question put to voters stated:

“Shall the Village of Oak Park enact a ‘Living Wage’ ordinance stipulating that a) Village employees, b) employees of contractors or subcontractors performing work for the Village, and c) employees of businesses that receive a significant financial subsidy from the Village, receive a living wage indexed to inflation that would include health benefits and time off?”

Sixty percent of the Oak Parkers voted YES while approximately forty percent voted NO.

Subsequent to the passage of the 2008 referendum, in January of 2009 the Board of Trustees charged the Community Relations Commissions (CRC) to conduct an assessment of the issues involved in enacting a living wage ordinance and to report its findings to the Board.

The CRC began its work on the Living Wage issue in its February 2009 meeting. Most of the work of the Commission in the intervening period has been focused on answering four overarching questions:

1. **Scope:** What are the governmental and taxing entities that will be under the purview of a LW ordinance, if enacted by the Village Board?
2. **Methodology:** What methodologies can be used to determine the hourly rate for the Oak Park Living Wage?
3. **Coverage:** What will be the categories of employees and organizations affected by the ordinance and according to what constraints and parameters?
4. **Impact:** What will be the impact of the LW ordinance on covered entities and on the Village as a whole?

Early in its deliberations, the CRC (based on the report of a subcommittee to develop a process for the study of LW) decided to use the framework of a model LW ordinance developed by the New York University Law School's Brennan Center for Justice¹ as a guide to investigate these questions. The model ordinance provides definitions for covered employees, specifies thresholds and constraints on the three categories of covered employers, and suggests categories of exemptions from the LW ordinance. [See Section III for further discussion of the model ordinance]

¹ <http://www.brennancenter.org/>

Not all of these questions have been or are likely to be exhaustively answered given the limitations on available data and variances among implementation approaches. However, the CRC has had substantive discussions on all of these questions. In its investigation, the CRC has examined methodologies for determining the Living Wage; considered the historical background of Living Wage ordinance in other communities and their impact; consulted with the Village Attorney, the Village Manager, Village liaison with the business community, and other key individuals, and held a public hearing on the Living Wage. The findings as well as the limitations of the CRC's investigation are discussed in other sections of this report.

II. Background on Living Wage

A. What is a Living Wage?

The "living wage" is a phrase used to define a "fair and decent" level of income that would enable workers to meet their "basic needs."² While there are many definitions of living wage and varying approaches to determine what specifically constitutes "basic needs," it is generally agreed that a living wage should allow a household a comfortable and decent standard of living that without having to rely on public assistance. There appears to be general agreement that a living wage should provide a nutritious diet, safe drinking water, suitable housing, energy, transportation, clothing, health care, child care, education, savings for long term purchases and emergencies, and some discretionary income. However, there are significant differences both in methodologies and in actual implementation with regards to what is required in order to achieve these more specific objectives.

In a recent Economic Policy Institute study, authored by James Lin and Jared Bernstein (the latter of whom currently serves as a top economic advisor in the Obama Administration), concluded that on average nationwide, working families with two parents and two children require an income of \$48,778 to meet the basic family budget³. The study found many regional variations primarily due to just a few items, namely, housing, healthcare, and childcare. It noted that nationwide, over one third of all families fall short in meeting these basic needs, and that ~~Over three times as many families fall below family budget thresholds as fall below the official~~ poverty line.

Due to the regional variation in the price of certain items, and depending on size and makeup of the family units assumed, living wage calculations can vary greatly. But, in most cases, a common general methodology is used in computing the living wage in a specific community. This general approach is discussed in more detail in Section II.C.1 of this report.

² Shelburne, Robert C. (1999). "The History and Theory of the Living Wage Concept," Division of Foreign Economic Research, U.S. Department of Labor (Available at: http://works.bepress.com/robert_shelburne/40/).

³ James Lin Jared Bernstein (2008). "What we need to get by: A basic standard of living costs \$48,778, and nearly a third of families fall short." EPI Briefing Paper #224, October 29, 2008 (<http://www.epi.org/publications/entry/bp224/>)

Generally, all definitions of Living Wage incorporate several common elements:

- LW must allow for working families to meet their basic needs without public assistance;
- LW is determined based on family budgets for basic necessities and expenditures such as food, housing, clothing, healthcare and child care, taxes, etc. Thus, calculations incorporate local or regional variations (especially in housing), as well as family size and composition.
- LW calculations assume that the recipient of the living wage works full time.

B. History of Living Wage Ordinances

The emergence of the living wage principles dates back to earliest economic as well as religious writings, including those of Adam Smith⁴ and Joseph Cook⁵, in the 18th and 19th centuries. In the past two decades, particularly in the United States, the living wage has served as a center piece of grassroots campaigns to address stagnating wages and rising income inequality. In that period, the United States has seen a rapid expansion of municipal initiatives often taking the form of local laws and ordinances.

The modern living wage movement began in 1994 when the city of Baltimore passed an ordinance requiring companies to pay employees working on city contracts a rate above the minimum wage. Since then, more than 140 communities have followed suit, with significant variance on the affected employees, wage levels, and benefits. In some of these communities the LW ordinances have been subsequently overturned or repealed, bringing the total number of communities with LW ordinances to just over 120 (based on the available data). Most living wage laws apply to larger service contractors, a limited number apply to companies receiving financial assistance such as tax abatements or other subsidies, and some apply to city or municipal employees. In recent years living wage initiatives have emerged in variety of other arenas such as school districts and college campuses.

A 2003 study⁶ by the Political Economy Research Institute at the University of Massachusetts, Amherst, reviewing the impact of living wage ordinances through 2002, showed the different types of coverage legislated by these ordinances [See Table 1]. These trends have continued since 2003⁷. Appendix B⁸ provides a more detailed breakdown of Living Wage Policies and

⁴ Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1789, pp.821-822.

⁵ Joseph Cook, *Boston Monday Lectures: Labor with Preludes on Current Events*, Boston: Houghton Osgood and Company, 1980.

⁶ Brenner, Mark D. (2004) "The Economic Impact of Living Wage Ordinances," University of Massachusetts, Amherst, Political Economy Research Institute, Working Paper Series, No. 80. (<http://www.umass.edu/peri>).

⁷ ACORN's Living Wage Resource Center maintains a summary of specific details of LW ordinances for 140 communities through 2006: <http://www.livingwagecampaign.org/index.php?id=1958>.

⁸ David Reynolds. (2003) "Living Wage Campaigns," Published Jointly By the Labor Studies Center, Wayne State University and the Association of Community Organizations for Reform Now (ACORN), January 2003 (<http://www.laborstudies.wayne.edu/research/guide2002.pdf>).

ordinances enacted through 2002, including their coverage categories, various thresholds used for contractors and employers receiving economic assistance, the hourly rates (at the time the wages went into effect), and other provisions.

Table 1. Number of Living Wage Ordinances Through Dec. 2002 and Their Coverage.

<i>Ordinances that cover:</i>	Number	% of total
Service contractors	74	77%
Recipients of economic development assistance	36	38%
Subcontractors	31	32%
City employees	21	22%
Concessionaires, lessees, or tenants	9	9%
Airports	4	4%
Private employers in geographically-based zone	3	3%
Total ordinances	96	100%

While living wage ordinances have been enacted in only a limited number of communities across the country, their overall coverage has been significant. For instance, the UMass-Amherst study mentioned above found that by January 2003 cities with living wage ordinances comprised approximately one fifth of the population residing in municipalities of 10,000 people or more, and close to 40% of the population in cities larger than 100,000. These figures have increased since 2003, given that more than 40 communities have enacted ordinances since 2003.

Living Wage in Illinois: In Illinois, there are currently two living wage ordinances – Chicago and Cook County. Both apply to contractors and subcontractors, with the current hourly rates around \$11.50. In September 2006, the Chicago City Council voted to extend the existing ordinance to selected business, but the legislation was vetoed by Mayor Daley.

In November of 2008, Sixty-five percent of Bloomington Illinois voters approved a non-binding Living Wage Referendum covering about two hundred seasonal and part-time city employees. The living wage hourly rate proposed was \$9.81. In March of 2009, the Bloomington City Council voted against a living wage ordinance citing the city's fiscal deficit. The Bloomington City Council had also previously voted against a living wage in 2004.

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Oak Park and the Living Wage Spectrum: The cities with living wage ordinances fall within a wide spectrum in terms of populations, per capita incomes, racial compositions, and other demographic characteristics. Oak Park falls within this spectrum and is not unique in terms of its economic or demographic profile. For example, the largest cities in the country, including New York, Los Angeles, and Chicago have LW ordinances. On the other hand there are numerous cities with small to medium-sized populations that have adopted LW laws. In terms of Per Capita Incomes and family unit sizes, Oak Park sits in the upper half of the range, but there are a number of cities of similar size with higher income levels and smaller average family unit sizes (including, for example, the City of Santa Monica, California which, as of 2005, had a living wage rate of \$11.50).

C. Issues in Computing the Living Wage

Living wage ordinances generally mandate a wage higher than the minimum wage and the poverty wage to certain classes of employees in the affected locality. In some of these cases, the wage is indexed to the consumer price index or inflation rate. There is a great deal of variance in the specific hourly wage implemented across the communities that have enacted the living wage. However, the starting point for determining a living wage in most cases is the consideration of necessary expenditures for a typical working family with variations based on localities family sizes.

In particular, the approaches may differ according to specific expenditures included (other than the basic necessities such as housing costs, food, healthcare, etc). They may also differ in terms of their approach for estimating housing costs, taxes, and other regionally specific costs. Many ordinances make allowances for basic healthcare coverage and other benefits.

C.1. Basic Components

There are several general issues that must be addressed in computing the living wage (regardless of the specific methodology or calculator used)?

- The first step in determining the wage is to establish the definition of a typical working family (for the purposes of the ordinance). The main question is how many *full-time* workers are assumed in one household. For example, many approaches consider a typical family to be two working adults with two children. Others may consider a typical family to be two working adults with one child, two adults with only one working and one child, two adults with no children, etc. Determining the number of workers in the family is a critical factor. For example, if two workers are assumed per household, the computed hourly rate will be 50% of the rate when only one worker is assumed. These determinations can be made based on available community profile data.
- The next step is to determine the cost estimates for the expenditures that are to be included in the computation of a living wage, such as housing, food, childcare, transportation, local taxes, etc. In most cases, these estimates are based on government estimates established through various agencies, such as USDA, HUD, and U.S. Department of Labor. On expenses that have a high degree of local variance (such as housing and childcare costs),

many methodologies try to use local or regional data in their computations. Among different methodologies, there is wide variance in costs associated with necessities beyond the basic expenses and in the level of discretionary income included in household costs. Note that the family size and composition assumed in the first step affects the estimated monthly costs for the household (including whether childcare costs are included).

- Once the number of full-time employees in a typical family and the estimated expenditures (annual) are established, then the hourly wage can be determined by dividing the total expenditures (annually) by the total number of hours worked by all workers in the household during that period. For example, suppose that two full time workers are assumed per family (working a total of 2 workers x 40 hrs/week x 52 weeks = 4,160 hours). Furthermore, suppose that one child per typical family is assumed and that the annual costs associated with the living wage standard for a two parent one child family is estimated at \$48,000. In this case, the hourly living wage is $\$48,000 / 4,160 \text{ hours} = \11.54 per hour .

Given the variances in assumptions about family size and the number of full-time workers per family, and different methodologies for computing estimated costs, it is not surprising that there is great degree of variance on the final hourly rate used by different ordinances. Indeed, in some cases, communities have determined the hourly rate using entirely different and ad hoc methods such as setting the living wage to a specific percentage above the federal poverty wages.

A 1999 report⁹ by the U.S. Department of Labor provides a detailed review of the history and theory of living wage, including a discussion of different approaches used to compute living wage and their variations.

C.2. Living Wage Methodologies and Calculators

There are several organizations that have proposed unified methodologies for determining living wage that can be adapted to various localities. It is important to note that these methodologies primarily differ in the way they estimate costs associated with necessary expenditures in a family of a certain size. These variations will, of course, results in differences in the bottom line hourly rate computed (using the basic components discussed in Section C.1) depending on which cost estimates are used. Several of the most referenced methodologies also provide tools that allow for a computation of costs for different types of families (in terms of the number of workers and the composition of the family). These tools also usually allow for specifying a specific community (with the caveat that in most cases, the local costs are estimated based on aggregates or regional data that may be available). The intent of these tools is not to provide a definitive answer to the question "what should be the living wage in my community," but to provide estimated costs that can then be supplanted to made more exact if locally specific data is available (e.g., for housing, childcare, etc.).

⁹ Shelburne, Robert C. (1999). "The History and Theory of the Living Wage Concept," Division of Foreign Economic Research, U.S. Department of Labor (Available at: http://works.bepress.com/robert_shelburne/40/).

Three of the most prominent methodologies with associate tools are the following:

- **Economic Policy Institute – Basic Family Budget Calculator**¹⁰

The Family Budget Calculator determines the income needed for particular types of families to satisfy the basic living costs. Because costs of goods and services vary across the U.S., the calculator customizes the budgets for every U.S. community—over 600 in all. Given one of six family types, and specific region or a community, the calculators generate estimated costs for that family's likely needs for housing, food, child care, etc. The cost estimates are based on data from HUD, USDA, and several other government agencies. The methodology for this calculator was developed by *James Lin and Jared Bernstein* (the latter currently the Economic Policy Adviser to Vice President Joseph Biden and the Obama Administration)¹¹.

- **Pennsylvania State Living Wage Study and Calculator**¹²

The calculator was developed by Dr. Amy Glasmeier, Director of the Center for Policy Research on Energy, Environment and Community Well-being. The original calculator was modeled after the Economic Policy Institute's methodology. The data for this methodology was updated to be more regionally specific. The data was collected and aggregated Tracey Farrigan of the Economic Research Service.

- **Self-Sufficiency Standards**¹³

The Organizing Project-Six Strategies has "self-sufficiency" studies for 35 states, which include data on wages needed for economic stability. Self-Sufficiency Standard was developed for Wider Opportunities for Women by Dr. Diana Pearce, founder of the Women and Poverty Project at WOW, and a professor at the University of Washington, School of Social Work. The Self-Sufficiency Standard calculates how much money working adults need to meet their basic needs without subsidies of any kind. The data for the study obtained from U.S. Census Bureau, state government agencies, and other government agencies, is updated annually. A full self-sufficiency report for Illinois is available¹⁴.

¹⁰ http://www.epi.org/content/budget_calculator

¹¹ http://www.epi.org/pages/budget_calculator_intro/

¹² <http://www.livingwage.geog.psu.edu/>

¹³ <http://www.sixstrategies.com/sixstrategies/selfsufficiencystandard.cfm>

¹⁴ <http://www.sixstrategies.org/files/ILFullReport.pdf>

Appendix C provides examples of cost estimates for sample family types based on the above three methodologies (for comparison purposes). Such estimates or their variations can be used as the basis for computing the hourly living wage as described in Section C1, above.

C.3. Impact of Living Wage on Communities with Ordinances

As noted earlier, since 1994 (when the first Living Wage law enacted in the City of Baltimore) more than 140 communities and organizations have enacted their own LW ordinances. As a result, a wealth of retrospective data has been available to study the actual impact of such laws in terms of factors such as: costs as a percentage of economic activity, impact on municipality budgets, changes in contracting costs and bidding patterns, and employment levels by covered firms, business migration, among other factors.

Indeed, there have been numerous studies and reports that provide detailed analyses of the impact of LW laws from different perspective. Some of these studies have been commissioned by cities (e.g., Baltimore and Los Angeles) themselves to determine the local impact of their own ordinances. There are also numerous other academic papers that have attempted to provide retrospective studies of LW ordinances across different communities.

One well-regarded independent academic study from the University of Massachusetts, Amherst, Political Economy Research Institute in 2004, considered both the prospective as well as retrospective evidence on the impact of LW ordinances enacted across the country¹⁵. The study found that the vast majority of firms covered by living wage laws experience only modest cost increases (typically on the order of 1%-2% of total economic activity). For such firms, layoffs or firm relocation are likely to be far more disruptive and costly than other channels of adjustment. According to this and other studies, most firms affected by LW ordinances use increased productivity and internal resource redistributions as the preferred mechanisms for dealing with increased costs. For some firms, the costs associated with living wage compliance are much greater: 10 percent or more of economic activity. For these set of firms, the evidence suggests that some price increases (generally in the range of 1%-4%) combined with productivity enhancements and internal redistribution are the primary means by which they adjust to these measures. These alternative adjustments also typically result in the full cost increases for contracts to not be passed through to municipalities (for example, the pass-through cost for Los Angeles of approximately 0.2 percent of the city budget). ~~Table 2 shows the economic impact of LW ordinances for selected communities (Source: Brenner (2003)).~~

Another detailed and more up-to-date study by the Economic Policy Institute¹⁶ studied empirical data from multiple studies and from across even a larger number of communities to determine the actual impact of LW ordinances. Among other things, this study made the following observations.

¹⁵ Brenner, Mark D. (2004) "The Economic Impact of Living Wage Ordinances," University of Massachusetts, Amherst, Political Economy Research Institute, Working Paper Series, No. 80. (<http://www.umass.edu/peri>)

¹⁶ Jeff Chapman Jeff Thompson (2006), "The economic impact of local living wages," EPI Briefing Paper #170, February 15, 2006 (<http://www.epi.org/publications/entry/bp170/>).

Table 2. Economic Impact of Various Living Wage Ordinances Retrospective Evidence

City (Source)	Fiscal Year Living Wage Implemented	Wage Increase as a Percentage of the Minimum Wage	Average Annual Increase in Real Contract Costs ^a	Number of Contracts Reviewed
Baltimore, MD (Weisbrot and Sforza-Roderick 1996)	FY 96-97	44%	-1.9%	19
Baltimore, MD (Niedt et al. 1999)	FY 96-97	44%	1.2% ^b	26
New Haven, CT (Brenner and Luce 2003)	FY 97-98	56%	-10.9%	9
Boston, MA (Brenner and Luce 2003)	FY 99-00	57%	-7.3%	29
Dane County, WI (Elmore 2003)	FY 99-00	54%	2.8% ^{b,c}	12
Corvallis, OR (Brewer 2001)	FY 00-01	38%	9.1%	31
San Francisco, CA (Elmore 2003)	FY 00-01	57% (with health) 78% (without)	1.0% ^{b,c}	-
Hartford (Brenner and Luce 2003)	FY 00-01	43% (with health) 71% (without)	33.4%	2

a. Percentages are weighted by contract value.
b. Contract cost increases are measured in nominal terms.
c. These figures are for the human services contracts covered by the living wage law in each locality.

(1) **Living wage laws have small to moderate effects on municipal budgets.** A detailed survey of 20 cities found that the actual budgetary effect of living wage laws tended to be less than one-tenth of 1% of the overall budget. Two separate studies of the Baltimore living wage found that city contract costs increased less than the rate of inflation. A study of the Los Angeles ordinance found no measurable effect on the city's budget. A study of living wage ordinances in three New England cities found that contract costs only rose in one city. Multiple studies have shown little change in bidding for municipal contracts as a result of living wage ordinances.

(2) **Living wage laws benefit covered employees with few or no negative effects on the employers.** Recent studies using original surveys in both Los Angeles and Boston showed that the workers affected were mostly adults and mostly working full time. Both studies also

showed that most living wage workers were in households that had not been meeting the basic-needs budget. In Baltimore and Boston, empirical studies found no evidence of diminished employment, while in Los Angeles, surveys of workers and firms showed that job losses affected 1% of workers getting a raise. Two studies of San Francisco living wage policies found employment increased among airport workers and home health care workers.

- (3) Living wages laws have led to increases in productivity and decreased turnover among affected firms.** Multiple studies of Baltimore, Boston, Los Angeles, and San Francisco have shown that firms have registered lower turnover among employees subsequent to the enactment of the living wage ordinances. A study of home-care workers in San Francisco found that turnover fell by 57% following implementation of a living wage policy. A study of the Los Angeles ordinance found that the decrease in turnover offset 16% of the total cost of the living wage ordinance. A study of the San Francisco airport found that annual turnover among security screeners fell from 95% to 19%, as their hourly wage rose from \$6.45 to \$10.00 an hour.

Overall, these and other retrospective studies have found little evidence that LW ordinances have led to job cuts, relocation, or major price increases by covered firms. Indeed, in several of the cases studied (including San Francisco, Boston, and others), the covered groups saw employment increases of as much as 15% subsequent to the implementation of the LW ordinances. These studies also show that on average there has been cost increases for covered firms as well as for municipality budgets, but, in almost all these cases, the increases have been significantly less than the inflation.

III. The CRC Process and Findings

As noted earlier, The CRC began its work on the Living Wage issue in its February 2009 meeting. The initial discussion made it clear that with a frame of reference, it would have been impossible to determine the level of coverage and the scope of an ordinance or the impact on various components of the community. ~~The CRC formed a subcommittee to develop a more systematic approach to data gathering and the study of LW in Oak Park.~~

A. Sub-Committee Work

Appendix D provides the full report of the subcommittee a portion of which was presented to the Commission in its March 2009 meeting. It raised a number of questions that had to be answered in order to move the discussion of LW ordinance forward, including: which government bodies can be affected, what village services and programs may be impacted, what are possible exemptions, what types of contractors fall under the purview of the ordinance, etc.

The subcommittee proposed that the model ordinance (developed by the NYU Law School Brennan Center for Justice) can serve as the basis for additional information gathering and discussion of the various elements of an ordinance. Specifically, the model ordinance breaks

down covered employees into three categories (1) village employees, (2) employees of village contractors (subject to thresholds on the values of contracts and the number of employees), and (3) employees of businesses receiving significant financial assistance from the village. It also provides a framework for considering exempted entities. Therefore, the model ordinance was viewed as a useful guideline to considering the issues raised by the subcommittee in a systematic manner. The template for the Brennan Center model ordinance can be found in **Appendix A**. It should be noted, however, that the Commissions did not specifically study the text of other available ordinances and used the Brennan Center model ordinance as a guide exclusively.

In its March 2009 meeting the CRC approved the following process proposed by the subcommittee:

STEP #1- The CRC acting as a COMMITTEE OF THE WHOLE considers the following resolution at the next schedule regular commission meeting as a start point to our work:

"The CRC acting as a Committee of the Whole believes there is general support in Oak Park for a Living Wage ordinance and that the Ideals of economic justice and a respect for the dignity of work that underlies the Living Wage ordinance are consistent with the values of most Oak Parkers. Furthermore, we believe the draft ordinance provided (see attached) is a good start point for considering the matter and inviting public comment."

STEP #2- The CRC receives a response from the Village Manager in response to the request for technical information and legal opinion to specified questions.

STEP # 3- The CRC considers the Village Manager response and make necessary amendments to the proposed ordinance to address specific issues identified.

STEP #4- The CRC crafts a revised draft ordinance (with amendments) and invites public comment on the document at a regularly scheduled meeting.

STEP #5- The CRC considers public comments and makes further necessary amendments to address specific issues identified.

~~**STEP #6-** The CRC votes on a final draft document and submits it the Village Board in response to their request.~~

Subsequently, a draft letter was sent to the Village Manager and the Village Attorney to answer the technical and legal questions raised by the commissions. Chief among these questions were whether the ordinance, if enacted, would affect other local government bodies such as school districts D97 and D200, Oak Park Township, the Oak Park library, and Oak Park's Park & Recreation.

B. Issues Related to the Scope and Applicability of the Ordinance

One of the questions raised by the CRC and submitted to the Village staff was on the scope of the applicability of the proposed ordinance. The CRC received the response from the Village

Attorney Ray Heise in March which definitively answered these questions [See **Appendix E** for the Village Attorney Memo of March 10, 2009].

In essence, the Village Attorney's memo indicated that with the exception of some narrowly defined and mutually agreed upon cooperative arrangements, all of the listed local governmental entities (including school districts D97 and D200, Oak Park Township, the Oak Park library, and Oak Park's Park & Recreation) are considered independent authorities. Therefore, the enactment of a living wage ordinance by the Village of Oak Park will have no impact on those other entities and will not legally bind them to any contractual obligations.

C. Categories of Covered Employers and CRC Findings

[See **Appendix A** for the full text of the model LW ordinance used by the CRC as a guide. Note that the Commission Recommendations in **Section VI** modify some of the elements of this model ordinance, including providing additional exemptions for part-time employees, as well as for subcontractors and subtenants of covered employers.]

The model LW ordinance defines "Covered Employers" in terms of the following three categories (the specific thresholds amounts for contracts and financial assistance are those suggested for Oak Park, but may vary across communities with similar provisions):

- (1) The [CITY] is a "Covered Employer" in all of its operations and activities.
- (2) A Contractor is a "Covered Employer" if it enters into one or more [CITY] Contracts where the annual value of payments under all such [CITY] Contracts is (or is projected to be) \$25,000 or more. A Contractor is a Covered Employer from the beginning of the term of the [CITY] Contract that caused the combined annual value of payments to exceed \$25,000, and continues until the termination of all [CITY] Contracts.
- (3) A Beneficiary is a "Covered Employer" if it receives [CITY] Financial Assistance with a combined value that is (or is projected to be) valued at \$50,000 or more annually. Where [CITY] Financial Assistance does not have a defined duration or is received in a lump sum, its duration shall be deemed to be five years. ~~A Beneficiary is a Covered Employer from the beginning of the term of the [CITY] Financial Assistance Agreement that causes the cumulative value of all [CITY] Financial Assistance Agreements received by the Beneficiary to exceed \$50,000. A Beneficiary ceases to be a Covered Employer five years from the date upon which the most recent [CITY] Financial Assistance Agreement began.~~

It should also be noted that the model ordinance limits its applicability only to for-profit Contractors or Beneficiaries that employ or contract with five (5) or more individuals firm-wide; and to non-profit Contractors or Beneficiaries that employ or contract with ten (10) or more individuals firm-wide. In addition, the model ordinance considers subcontractors of a covered contractor and subtenants of a covered beneficiary to also be covered employers under certain circumstances as described in **Appendix A**. [Note: the commission recommends (see Section

VI) that the same exemption thresholds as applied to contractors and beneficiaries noted above also apply to subcontractors and subtenants. Thus for example, a subcontractor of a covered employer that does not receive at least \$25,000 in Village-related subcontracts will be exempt.]

The commission, therefore, was interested in determining the impact of the proposed ordinance (with the above-specified parameters) on these categories of "covered" employers within the village.

C.1. Effect on the Employees of the Village

Village Manager Tom Barwin provided the CRC with information suggesting that for all full time employees of the Village, the hourly wage exceeds the proposed minimum (according to the model ordinance). Therefore, the enactment of the ordinance based on the recommendations of Section VI will have no effect on the Village employees.

If the ordinance is to include the part time staff (as the model ordinance does), then it was identified that crossing guards may fall below the threshold wage and would therefore be affected. However, the commission is recommending that part-time employees that work up to 20 hours per week be exempt from the provisions of the ordinance. Thus, the ordinance will only have an impact on part-time workers that work more than 20 hours per week and receive an hourly wage of less than \$11.50. The information received by the CRC suggests that there are no Village employees in this category.

C.2. Effect on the Employees of Contractors

The Commission has realized that determining the exact impact of the ordinance on contractors and sub-contractors may be difficult. This is in part due to the historical process of selecting a low bid contracts which has not required the specification of did a pay scale along with a scope of work being bid upon. Thus, village-wide information on the wages paid by contractors to their employees is not available.

The Village does have information on the size of contracts awarded (and therefore statistics on the ratio of the number of contractors satisfying the \$25,000 annual threshold to those that fall below the threshold can be computed). However, despite the CRC request, this information was never provided to the Commission by the Village Manager.

The CRC, however was able to obtain relevant information by having the Village Public Works Director, John Wielebnicki, and Village Business Relations Manager, Loretta Daly, appear before us and discuss the contracts, which are let by the Village [See Appendix F].

According to the information provided, majority of village contracts are let through Public Works and are therefore legally obligated to adhere to the State of Illinois "Prevailing Wage Ordinance". In essence the effect this law has is to require Public entities to pay Union Wage for all employees of the corresponding projects. This is the equivalent of wages provided to those controlled by collective bargaining agreements. Union wages typically greatly exceed the target wage specified in the model LW ordinance. Note also that, the CRC recommendations (Section

V1) include explicit exemption for contractors that are bound by collective bargaining agreements or subject to Prevailing Wage rules.

The balance of work contracted out by the village, which is not subject to the prevailing wage law, is approximately \$765,000 (based on 2008 budget) [See Appendix F]. While we have no prospective data, retrospective studies of living wage ordinances in other communities (such as those discussed in Section II.C.3) suggest that the increase in costs associated with these contracts may be in the range of 1%-2%. Also note that for the "covered employers" in this group of contractors, the Living Wage would be applicable only to employees that work more than 20 hours per week.

It should also be noted that according to the model ordinance, Village contracts do not include agreements primarily for the purchase or lease of goods or property for the Village; nor agreements for the provision of professional services such as legal services, banking services, architectural services, or computer services.

The Brenner study¹⁷ (as well as other similar retrospective studies) suggests that the overall effect of LW ordinance on contract cost and bidding patterns have been negligible. For example, Brenner concludes:

"... although cities have had a wide range of experiences with living wage laws, the preponderance of evidence indicates that living wage ordinances are unlikely to cause large increases in city contract costs. There are, of course, specific contracts or types of services for which cost increases will occur, but even in these cases the method of bid submission and the competitiveness of the bidding process can modulate cost pass-throughs to the city. With regard to the bidding process itself, here, too, the affects of living wage laws are highly variable. ... This heterogeneity in bidding experiences also serves to underscore the fact that the living wage ordinance is only one of many factors influencing the competitiveness of city procurement. It also reinforces the conclusion drawn earlier that firm behavior in the face of higher wage mandates is not nearly so straight-forward as often assumed in the realm of theory." (Brenner, 2004, pp. 22-23).

However, it should be noted that the above retrospective observations do not necessarily guarantee a similar impact on Oak Park contractors. As noted in these studies, the high variability on experiences across cities makes it difficult to make projection in specific cases.

C.3. Effect on the Employees of Beneficiaries

The final area of concern revolves around the effect the ordinance would have on entities that receive public monies. The model ordinance defines financial assistance as "something of economic value, awarded or conveyed to a Person, by or through the approval of the Village of Oak Park, for the purpose of promoting economic development, job retention, or job growth. Generalized financial assistance such as that provided through broadly applicable tax

¹⁷ Brenner, Mark D. (2004) "The Economic Impact of Living Wage Ordinances," University of Massachusetts, Amherst, Political Economy Research Institute, Working Paper Series, No. 80. (<http://www.umass.edu/perf>)

reductions shall not qualify as Village of Oak Park Financial Assistance. Village of Oak Park staff assistance shall not by itself be considered Village of Oak Park Financial Assistance."

This category of covered employer is therefore fairly broad. In particular it would include financial assistance as well grants given to Oak Park's "partner agencies" as well as recipients of CDBG (Community Development Block Grant) funds. From the data provided to the Commission, it appears that the effect would be inconsequential (because of the recommended \$50,000 per year threshold used in the model LW ordinance) to all current recipients of financial assistance with the exception of the sister agencies. In the case of sister agencies, available information suggests most or all full-time employees receive wages higher than the \$11.50 per hour considered in this report. To the degree that these agencies rely on part-time employees, the impact of LW will be reduced due to the part-time worker exemption suggest in the Recommendation section (See Section VI).

For firms that may seek business assistance in the future amounting to \$50,000 or more, the effect of the LW ordinance is likely to be heterogeneous, based on the retrospective studies. The simple mechanical analysis might suggest that the increase costs associated with LW may offset the assistance received from the village (in the form of grants, tax reductions, etc.). For example, assuming a LW rate of \$11.50 per hour, a firm that has full-time employees receiving the minimum wage (\$8.00), will have an additional cost of over \$7,000 per covered full-time employee per year, during the period in which LW provisions will be in effect. If such a firm has at least 7 full-time covered employees, then the annual increased cost will offset the \$50,000 threshold. Therefore, firms may have an incentive to refuse financial assistance and not locate to Oak Park as a result.

Such an analysis, however, does not take into account the many additional factors that, according to most retrospective studies, are in play (and collectively have resulted in the above scenario very rarely come to pass). Analysis of LW histories in cities that have adopted financial assistance as part of their LW ordinances (such as Madison, Minneapolis/St. Paul, Duluth, and others) shows little or no overall change in business assistance patterns in retrospective studies¹⁸. Generally, LW is only one of the many factors considered by firms in receiving business assistance. As noted in Section II.C.3, most firms compensate for increased costs through increased efficiency, internal redistribution, and modest price increases. In turn, increased wages generally lead to higher productivity and lower turnover rates, further increasing efficiency. Furthermore, the former analysis assumes that for such firms the covered full-time employees receive minimum wage which is highly unusual given historical evidence.

Nevertheless, although small, the risk exists that at least some firms may be dissuaded from locating to Oak Park even with the financial assistance incentives due to perceived or real increase costs associated with LW. As noted above, however, such firm are likely to be those

¹⁸ Jeff Chapman Jeff Thompson (2006), "The economic impact of local living wages," EPI Briefing Paper #170, February 15, 2006 (<http://www.epi.org/publications/entry/bp170/>).

with very poor working conditions and employment practices compared to what is the norm in Oak Park.

D. Living Wage Calculations for the Village of Oak Park

Ultimately, the most important question, if an ordinance is to be enacted, is what should the dollar amount of the living wage hourly rate? This is also the question that has resulted in the most discussion in the Commission.

The initial proposal given to the Commission by the sponsors of the LW referendum used an hourly rate of \$14.86 (with health insurance costs included). Note, however, that this figure has never been adopted by the Commission (indeed, the Commission is proposing an alternative figure of \$11.50 – see **Section IV**). The initial proposed number was arrived at using the Pennsylvania State University calculator described earlier. The figure was derived using the assumption that the typical family size is two adults and two children with both adults working full-time. The PSU methodology estimates the basic living costs [See **Appendix C** for the example of PSU Calculator's estimates for expenses of such a typical family in the Oak Park area]. It then determines the hourly wage by dividing the total hours worked by total expenses for the family (see **Section II.C.1** in this report for the basic elements of computing the living wage).

Note that, as with any other methodology, if the assumptions on the composition of a typical family are changed, the hourly rate will be different under the PSU method. For example, if it is assumed that the typical family is composed on two full-time working adults and one child, then the PSU Calculator will yield a rate of \$11.50 per hour. This is the assumption behind the CRC recommended hourly rate of \$11.50 (see **Section IV**).

In determining the rate, The Village Board must first decide what should be the underlying assumption on the composition of the typical family household (including the number of full-time workers). This is the determinant factor in the computation of the wage (as the example above illustrates). One approach to determining this is to consider the typical profile of average household in Oak Park (and perhaps the surrounding community). Once this determination is made, the only other issue is to determine what costs should be included as part of the basic living expenditure for such a family. The PSU methodology provides one way of obtaining these estimates, but other methodologies described in **Section II.C.2** can equally serve as guides to obtaining those estimates.

IV. Recommendations

The Community Relations Commission acknowledges general support in Oak Park for a Living Wage ordinance. Furthermore, the ideals of economic justice and a respect for the dignity of work that underlie the Living Wage ordinance are consistent with the values of most Oak Parkers. We, therefore recommend that the Village Board adopt a Living Ordinance for the Village of Oak Park. We believe that the framework of the Brennan Center Model Ordinance (See **Appendix A**) can be used *as the basis for developing the Oak Park Ordinance (including the definitions of covered employers and employees)*, but with the additional provisions and modifications mentioned below.

The following are specific recommendations (extending or modifying the provisions specified in the Model Ordinance):

- a. **Proposed Hourly Rate of \$11.50 (starting in January 1, 2011 and subsequently increasing upward annually based on the Consumer Price Index).** This proposed rate is based on the family budget costs for a family of three (two adults and one child) -- which is consistent with the demographic characteristics of Oak Park -- and based on the assumption that there are two full-time workers per family. This will be a single-tier living wage rate which includes some allowance for healthcare and childcare costs. The specific estimates for the family budget costs are based on the Penn. State LW Methodology (See **Appendix C**; for data sources used in cost estimates see: <http://www.livingwage.geog.psu.edu/pages/about>).
- b. **Threshold for Covered Contractors: \$25,000 per year in contracts** (under the terms specified in the Model Ordinance). **Additional provisions:** The same threshold shall apply to subcontractors, i.e., a subcontractor whose annual covered contracts and subcontracts are below this threshold are not considered covered employers. Thus, a subcontractor of a covered contractor that does not meet this threshold will not be covered by the Living Wage ordinance.
- c. **Threshold for Covered Employers receiving financial assistance: \$50,000 per year in assistance** (as defined by and under the terms specified in the Model Ordinance). **Additional provisions:** The same threshold shall apply to secondary or other indirect recipients of financial assistance. Thus, a sub-tenant of a covered employer that does not receive at least \$50,000 in covered assistance (received indirectly through the original recipient of the grant or directly through the Village), shall not be subject to the ordinance.
- d. **Paid Vacation and Sick Leave.** Covered employees shall be provided with at least 5 days of paid sick leave and at least one week of compensated vacation time annually (note that in the model ordinance these numbers are 10 days and 14 days, respectively).

e. Additional categories of exemptions (beyond the provisions of the Model Ordinance):

- Services provided by part-time employees that work less than 20 hours per week for a covered employer are not subject to the LW.
- Benefits received through self-taxing Special Service Area (SSA) grants are not considered "financial assistance" and thus will not count towards the financial assistance thresholds specified in part c, above.
- Services provided by student interns are not subject to the LW;
- Services provided by disabled persons (with employers who have appropriate U.S. Dept. of Labor certification) are not subject to the LW;
- Contracts covered under prevailing wage laws or by collective bargaining agreements are not subject to the LW.

f. Provision for the Village to allow for variances to the ordinance based on certain criteria (similar to variance to building codes, etc.). The criteria for such exemptions shall be developed and recommended to the Village Board by the Living Wage Monitoring Board (See below).

g. Creation of a Living Wage Monitoring Board:

- Will monitor the implementation and compliance with the LW ordinance;
 - Will monitor the impact of LW on various groups in OP;
 - Will conduct an annual survey of contractors and other covered employers to determine the effects of the potential increased costs associated with the LW;
 - Will provide recommendations to the Village Board with regards to specific variances to the ordinance;
-
- Will be made up of representative from different constituency groups, including sister agencies, labor unions, community organizations, as well as members from the community at large.

V. Conclusions

Since 1994, over 120 communities have adopted living wage laws with varying scopes and implementation models. As a result, there has been a wealth of studies, both academic as well as locally commissioned, that have evaluated the actual impact of these ordinances across multiple dimensions. Several of these studies have been cited in this report. In aggregate these studies show that LW ordinances do not have a major impact on employment patterns, the labor force as a whole, or overall poverty rates. This is because the impact of LW ordinances, in contrast to general minimum wage increases, tends to be very localized and focused on specific subsections of the labor force. But, the evidence also shows that the impacted section of the labor force, though small, tend to be adults who work full time but are not eligible for most forms of public assistance, i.e., those who benefit the most from increased wages. For Oak Park, the potential impact of LW ordinance is also likely to be limited to a small segment of the population in the Village and, more significantly, in the surrounding communities. But the impact on those that are affected is likely to be significant.

There are, of course, risks associated with LW as in the case of most economic policies. Based on the experiences of other communities with LW ordinances (including some that have many similar characteristics to Oak Park), the economic and financial considerations for Oak Park may include the following.

- There is a possibility of a %1 to 2% increase in costs associated with contracts. These increased costs are likely to be limited to a small fractions of the current contracts awarded and will exclude those subject to prevailing wage laws. It is unlikely that there will be major changes in bidding patterns by contractors, overall.
- Increased costs associated with the financial assistance components of LW may cause some firms to be apprehensive about development prospects in Oak Park. However, the number of firms that would be subject to the stated provisions of the LW ordinance is likely to be very small (especially due to the recommended part-time employee exemption). In the case of affected businesses, evidence suggests that practices such as relocation or layoffs are much less likely than the more cost-effective practices involving increased efficiency, internal redistribution, and, in some cases modest price

increases. On the other hand, from the affected firms, increased wages generally lead to higher productivity and lower turnover rates, further increasing efficiency.

- There may be additional costs for sister agencies that rely on the Village for a portion of their finances. However, given that most full-time employees in these agencies receive wages in excess of the \$11.50 rate considered here, the impact on these agencies is likely to be small. In addition, the Village can provide exemptions or variances based on established criteria and standard practices to some agencies if it is determined that vital services may be affected.

The adoption of LW ordinance, of course, involves more than just economic and financial considerations. The adoption of a Living Wage ordinance (even with only a small portion of the work force impacted), is also a reflection of the values of the community. In this sense, it would be an effort akin to a variety of policies and programs that Oak Park adopted in order to increase and maintain diversity dating back more than 30 years. In those cases, also, the Village and its population accepted certain financial and economic risks in order to ensure the long-term development of the community in ways that were consistent with the values of its population. As with respect to the LW ordinance and its underlying principles, Oak Parkers have already begun this process with the passage of the non-binding referendum in November of 2008.

Appendix A. The Model Living Wage Ordinance

Developed by the Brennan Center for Justice at New York University Law School

(<http://www.brennancenter.org/>)

Section 1: Popular Name and Purpose

- (1) This Chapter shall be known as the [CITY] Living Wage Law.
- (2) The purpose of this Chapter is to ensure that when taxpayer-funded benefits are extended by the [CITY] to private businesses, they are used in a way that benefits the interests of the [CITY] as a whole, by creating jobs that keep workers and their families out of poverty. This Chapter therefore requires the [CITY], its contractors and subcontractors, and businesses benefiting from its financial assistance programs to pay their employees a wage that will enable a full-time worker to support a family at a level that meets basic needs and avoids economic hardship.

Section 2: Definitions

For purposes of this Chapter, the following definitions shall apply:

- (1) "[CITY]" means the [CITY], its departments, offices, agencies, subdivisions, or officials thereof. [CITY] also includes any public authority or agency, that is controlled by, a majority of the governing body of which is appointed by, or that receives public funds appropriated by or allocated on behalf of the [CITY], and any department, office, agency, subdivision, or official of such an entity.
- (2) "[CITY] Contract" means any agreement between the [CITY] and any other Person to provide services to the [CITY] or its residents. [CITY] Contract includes any grant, including but not limited to Community Development Block Grant (CDBG) funds, awarded to a Person in order for it to provide specific services to the [CITY] or its residents. [CITY] Contract does not include agreements primarily for the purchase or lease of goods or property for the [CITY]; nor agreements for the provision of professional services such as legal services, banking services, architectural services, or computer services.
- (3) "Contractor" means any a Person that has entered into a [CITY] Contract.
- (4) "Subcontract" means any contractual relationship under which a Person does either of the following: ~~(a) assists a Contractor in performing a [CITY] Contract, or accepts or transfers any right or responsibility set forth in a [CITY] Contract;~~ or (b) performs services on-site for a Beneficiary at property that is the subject of [CITY] Financial Assistance.
- (5) "Subcontractor" means any Person that has entered into a Subcontract.
- (6) "Covered Employer" means any entity fitting the definitions set forth in Section 4.
- (7) "Employee" means any person who performs work on a full-time, part-time, temporary, or seasonal basis, including employees, temporary workers, contracted workers, contingent workers, and persons made available to work through services of a temporary services, staffing or employment agency or similar entity.
- (8) "Covered Employee" means any individual fitting the definitions set forth in Section 5.

- (9) "Designated Department" means the [CITY] department or agency designated to be responsible for the overall implementation and enforcement of this Chapter.
- (10) "Health Care or Child Care Expenditure" means any amount paid by a Covered Employer to a Covered Employee or to another party for the benefit of one or more Covered Employees for the purpose of providing health care or child care services or reimbursing the cost of such services for its Covered Employees and/or the families of its Covered Employees.
- (11) "Maximum Health Care or Child Care Expenditure Credit" means \$1.25 upon implementation of this Chapter. Starting [EFFECTIVE DATE], and each year thereafter, this amount shall be upwardly adjusted in proportion to the increase, if any, for the period of the preceding September over the level as of September of the immediately preceding year in the Consumer Price Index - All Urban Consumers or its successor index as published by the U.S. Department of Labor or its successor agency.
- (12) "[CITY] Financial Assistance" means something of economic value, awarded or conveyed to a Person, by or through the approval of the [CITY], for the purpose of promoting economic development, job retention, or job growth. Generalized financial assistance such as that provided through broadly applicable tax reductions shall not qualify as [CITY] Financial Assistance. [CITY] staff assistance shall not by itself be considered [CITY] Financial Assistance. The opportunity to enter into a Contract with the [CITY] shall not by itself be considered [CITY] Financial Assistance.

[CITY] financial assistance includes, but is not limited to, any of the following things when they are awarded for the purpose of promoting economic development, community development, job retention, or job growth: any grant (except grants awarded to fund the provision of specific services to the [CITY] or its residents, which are treated as [CITY] Contracts); below-market-rate loans; deferrals or reductions of payments due on a loan; reduction in the interest rate of a loan; financial planning assistance; tax incentive or abatement; tax increment financing; bond financing; rent subsidies; land write-downs (*i.e.* the donation, sale, lease, assignment, or transfer of land at less than fair market value of property); rebates; contingent obligations taken on by the [CITY], such as any guarantee; provision of tangible personal property such as materials, equipment, fixtures, merchandise, inventory, or machinery.

- (13) "[CITY] Financial Assistance Agreement" means any contract or agreement to provide or extend [CITY] Financial Assistance, or otherwise involving the award of [CITY] Financial Assistance.
- (14) "Beneficiary" means any Person that is a recipient of [CITY] Financial Assistance, as defined above.
- (15) "Subtenant" means any tenant or leaseholder of a Beneficiary that uses or occupies property that is the subject of the [CITY] Financial Assistance.
- (16) "Living Wage" means a wage equal to the levels established in Section 6.

- (17) "Person" means any individual, partnership, corporation, limited liability company, sole proprietorship, association, joint adventure, estate, trust, and any other entity, group or combination acting as a unit, and the individuals constituting such group or unit.

Section 3: Applicability

- (1) This Chapter shall apply to any for-profit Contractor or Beneficiary that employs or contracts with five (5) or more individuals firmwide; or a non-profit Contractor or Beneficiary that employs or contracts with ten (10) or more individuals firmwide.
- (2) This Chapter shall apply to any [CITY] Contract or [CITY] Financial Assistance awarded, entered into, extended or renewed after the effective date of this Chapter.

Section 4: Covered Employer

- (1) The [CITY] is a "Covered Employer" in all of its operations and activities.
- (2) A Contractor is a "Covered Employer" if it enters into one or more [CITY] Contracts where the annual value of payments under all such [CITY] Contracts is (or is projected to be) \$25,000 or more. A Contractor is a Covered Employer from the beginning of the term of the [CITY] Contract that caused the combined annual value of payments to exceed \$25,000, and continues until the termination of all [CITY] Contracts.
- (3) A Beneficiary is a "Covered Employer" if it receives [CITY] Financial Assistance with a combined value that is (or is projected to be) valued at \$50,000 or more annually. Where [CITY] Financial Assistance does not have a defined duration or is received in a lump sum, its duration shall be deemed to be five years. A Beneficiary is a Covered Employer from the beginning of the term of the [CITY] Financial Assistance Agreement that causes the cumulative value of all [CITY] Financial Assistance Agreements received by the Beneficiary to exceed \$50,000. A Beneficiary ceases to be a Covered Employer five years from the date upon which the most recent [CITY] Financial Assistance Agreement began.
- (4) A Subcontractor is a "Covered Employer" beginning on the later of the following dates: (a) the beginning of the term of the Subcontract; or (b) the date on which the ~~Subcontractor's associated Contractor or Beneficiary becomes~~ a Covered Employer. A Subcontractor ceases to be a Covered Employer on the earlier of the following dates: (a) the termination of the Subcontract; or (b) the date on which the Subcontractor's associated Contractor or Beneficiary ceases to be a Covered Employer.
- (5) A Subtenant is a "Covered Employer" beginning on the later of the following dates: (a) the beginning of the term of its lease with the Beneficiary; or (b) the date on which its associated Beneficiary becomes a Beneficiary. A Subtenant ceases to be a Subtenant at the earlier of the following dates: (a) the termination of the lease; or (b) the on which date its associated Beneficiary ceases to be a Beneficiary.

Section 5: Covered Employee

- (1) Employees of the [CITY] are Covered Employees for all hours they work for the [CITY].

- (2) Employees of Covered Employers are Covered Employees for all hours they perform work: (a) relating to a [CITY] Contract; or (b) at a location that is the subject of [CITY] Financial Assistance.
- (3) Where a Covered Employer cannot determine which of its Employees perform work relating to a [CITY] Contract, all of its Employees shall be Covered Employees.

Section 6: Living Wage Required.

- (1) Every Covered Employer must pay Covered Employees no less than a Living Wage for all hours worked as a Covered Employee. The Living Wage shall be [HOURLY RATE] per hour upon implementation of this Chapter. Each year thereafter, starting [EFFECTIVE DATE], the amount of the living wage shall be upwardly adjusted in proportion to the increase, if any, for the period of the preceding September over the level as of September of the immediately preceding year in the Consumer Price Index - All Urban Consumers or its successor index as published by the U.S. Department of Labor or its successor agency.
- (2) A Covered Employer may claim a credit toward the Living Wage in the amount of their average hourly Health Care or Child Care Expenditure per Covered Employee, up to the Maximum Health Care or Child Care Expenditure Credit. A Covered Employer may use any reasonable methodology to determine their average Health Care or Child Care Expenditure per Covered Employee. To claim this credit, a Covered Employer must furnish proof of Health Care or Child Care Expenditures made on behalf of each Covered Employee or their family to the Designated Department or that Department's designee.
- (3) Beginning in [EFFECTIVE DATE] and each year thereafter, the [CITY] shall publish a bulletin on December 1 announcing the adjusted Living Wages and Maximum Health Care or Child Care Expenditure Credit, which shall take effect on January 1 of the following year. This bulletin shall be distributed to all [CITY] agencies and Covered Employers upon publication. Covered Employers shall provide written notification of the rate adjustments to their Covered Employees, and to their affected contractors, Subcontractors and tenants. In the event that the [CITY] fails to publish the adjusted Living Wages, it shall remain the obligation of each Covered Employer to calculate and begin paying the adjusted Living Wages effective January 1.

Section 7: Compensated Leave.

- (1) Paid Sick Leave. Covered Employers shall permit Covered Employees to take at least 10 days per year of paid leave. Paid leave may be taken without prior notice to the Covered Employer when an Employee or a member of his or her immediate family is sick. Covered Employees may use paid sick leave for routine medical or dental visits. This paragraph does not mandate the accrual from year to year of paid sick leave.
- (2) Other Annual Leave. In addition to paid sick leave, Covered Employers shall provide at least 12 days of paid annual leave per year for use by each Covered Employee, which may include any federal public holidays for which a Covered Employer provides paid leave. Covered Employees shall have no work responsibilities on days of paid annual leave, and may use such days for any desired purpose, including illness or routine medical or dental visits.

- (3) **Accrual and Implementation.** When the need to take leave is foreseeable, Covered Employers may require reasonable advance notice of an employee's intent to use paid leave.
- Covered Employees who regularly work at least forty hours per week shall be paid for at least eight hours of work for each day of paid leave required under this Section. Covered Employees who regularly work fewer than forty hours per week shall be paid a prorated portion of an eight-hour day for each day of paid leave required under this Section. Covered Employees shall accrue one day of paid sick leave and one day of paid annual leave per month of full-time-equivalent employment up to the required minimum of 10 paid sick days per year, and 12 days of paid annual leave. All days of paid annual leave provided by a Covered Employer, including paid holidays and paid days off provided pursuant to a collective bargaining agreement, may be counted toward provision of the 12 days of paid annual leave required by this Section.

Section 8: Retaliation Prohibited

No Covered Employer shall discharge or take other adverse action against any Person in retaliation for asserting any claim or right under this Chapter, for assisting any other person in doing so, or for informing any person about their rights.

Section 9: Exemptions

Notwithstanding any other provisions in this Chapter, the following exemptions shall apply:

- (1) For any [CITY] Contract or [CITY] Financial Assistance, the [CITY] Council may grant a partial or complete exemption from the requirements of this Chapter if it determines that any application of this Chapter that would violate federal, state or local laws(s), or for any of the following employers:
- (a) A not-for-profit corporation employing employees under 21 years of age for:
- (i) A bona fide training program;
 - (ii) An after school or summer or youth employment program; or
 - (iii) A bona fide work study program, internship, fellowship, or other similar program.

-
- ~~(b) A not-for-profit organization that provides human services pursuant to [CITY] Contracts and demonstrates that it cannot reasonably afford to pay the Living Wage and Provide Health Care or Child Care to their Covered Employees based on payment rates under the [CITY] Contract and other resources available to them.~~

The [CITY] should prioritize exemptions for the following employers:

- (1) Non-profit organizations that predominantly serve low-income clients or populations;
- (2) Non-profit organizations that demonstrate that they are prudently allocating their limited resources — for example, by showing that their highest paid employee is paid no more than six times the wage rate paid to their lowest paid employee; or

- (3) Non-profit organizations performing County Contracts that are not awarded through competitive bidding.
- (2) Requirements of this Chapter may be waived by the written terms of a bona fide collective bargaining agreement, provided that this Chapter is expressly referenced in the agreement, and that the agreement sets forth in clear and unambiguous terms the desire of all parties to waive some or all of the requirements of this Chapter. Unilateral implementation of the terms and conditions of employment by either party to a collective bargaining relationship shall not constitute a waiver of any of the requirements of this Chapter.

Section 10: Monitoring and Enforcement

- (1) Every Covered Employer shall agree to the payment of a Living Wage as a condition of entering into or renewing a [CITY] Contract or [CITY] Financial Assistance agreement, shall agree to post a notice regarding the applicability of this Chapter in every workplace in which Covered Employees are working, and shall agree to provide payroll records or other documentation as deemed necessary within ten (10) business days from the receipt of the [CITY]'s request. All [CITY] Contracts and [CITY] Financial Assistance agreements covered by this Chapter shall provide that a violation of the Living Wage requirements of this Chapter shall be a material breach of the [CITY] Contract or [CITY] Financial Assistance Agreement. The Designated Department of the [CITY] shall monitor the compliance of each Contractor or Beneficiary under procedures developed by the Designated Department and approved by the [CITY] Administrator.
- (2) Each Covered Employer shall submit to the Designated Department information regarding number of employees and applicable wage rates of its employees covered by this Chapter in such manner as requested by that Department. At the request of the Designated Department, any Contractor or Beneficiary shall provide satisfactory proof of compliance with the living wage provisions of this Chapter.
- (3) Any Person may submit a complaint or report of a violation of this Chapter to the Designated Department. Upon receipt of such a complaint or report, the Designated Department shall investigate to determine if there has been a violation. The investigation shall be resolved within ninety (90) days.

Section 11: Penalties and Enforcement.

- (1) A violation of any provision of this Chapter is a civil infraction punishable by a fine of not more than \$500.00 plus all costs of the action. Any court of competent jurisdiction may issue and enforce any judgment, writ, or order necessary to enforce this Chapter, including backpay to affected employees and other relief deemed appropriate.
- (2) Each day upon which a violation occurs shall constitute a separate violation.
- (3) In addition to enforcement under Subsections (1) and (2), the [CITY] shall have the right to modify, terminate, and/or seek specific performance of any [CITY] Contract or [CITY] Financial Assistance agreement with a Covered Employer or to cancel, terminate

or suspend the [CITY] Contract in whole or in part and/or to refuse any further payments under the [CITY] Contract or [CITY] Financial Assistance;

- (4) Nothing contained in this Chapter shall be construed to limit in any way the remedies, legal or equitable, which are available to the [CITY] or any other Person for the correction of violations of this Chapter.

Section 12: Private Actions for Damages or Injunctive Relief.

- (1) A Covered Employee who is denied payment of the applicable living wage in violation of this Chapter may bring a civil action in any court of competent jurisdiction for appropriate injunctive relief or damages or both against the Person(s) who acted in violation of this Chapter. No employee or Person shall bring a civil action alleging a violation of this Chapter unless the employee or Person has first provided a written allegation of the violation of this Chapter to the Designated Department and the Covered Employer no less than ninety (90) days prior to filing said civil action. After at least ninety (90) days have passed after the written allegation has been provided, the employee or Person shall be free to proceed with a civil action. Any civil action under this Section must be brought within one year of the last date of the violation. The last date of the violation shall be determined by the last paycheck received by the employee or Person that did not contain the Living Wage, or by the last occurrence of retaliation prohibited by Section 7.
- (2) As used in subsection (1), "damages" means restitution of the difference between amounts actually paid and the living wage that should have been paid including interest, an additional equal amount as liquidated damages, and reasonable attorney fees and costs.
- (3) Private actions and remedies under this Section shall be in addition to any actions for violations which the [CITY] may take.

Section 13: Other Provisions.

- (1) No Covered Employer may fund wage or health care or child care increases required by this Chapter by reducing the compensation, wages, fringe benefits, or leave available to any Covered Employee.
- (2) The [CITY] Administrator will submit a report to [CITY] Council two years after the effective date of this Chapter, as first enacted, and every two years thereafter. The report will contain, for the two preceding years, information as to the amount of the increases required by Section 6, information as to the number of Covered Employers doing business with the [CITY], and a summary report of all violations of this Chapter.

Section 14: Effective Date

That this Chapter shall take effect 90 days after it is enacted by voters.

Section 15: Preemption and Severability

The sections, subsections and paragraphs of this Chapter shall be deemed severable, and the declaration by a court of competent jurisdiction that any part hereof is invalid shall not affect the remaining parts of the Chapter

Appendix B.

Breakdown of Living Wage Ordinances Across the United States Through 2001

Source:

David Reynolds. (2003) "Living Wage Campaigns," Published Jointly By the Labor Studies Center, Wayne State University and the Association of Community Organizations for Reform Now (ACORN), January 2003 (<http://www.laborstudies.wayne.edu/research/guide2002.pdf>).

Living Wage Policies As of 2002

Contracts	Thresholds	Living Wage	Other Provisions
Baltimore (1994)	all service contracts	set by wage commission 1994 \$6.10 in three steps to 1999 \$7.70	
Milwaukee (1995)	contractors at \$5,000 or more	\$6.05 adjusted annually for poverty line family of three \$7.70 an hour	
Milwaukee School District (1996)	all schools and contractors to the schools	\$6.25 indexed to wage increases of country employees	
Milwaukee County (1997)	janitorial, security, parking lot attendant	prevailing wage for the industry as determined by city comptroller. Estimated \$7.25-\$11.25.	
New York (1996)	security, temporary office service, cleaning, and food services	1996 \$6.75 1997 \$7.00 indexed to wage increases of city employees	
Portland (1996)	janitors, parking lot attendants, security, and temporary clerical	\$7.50	* require health care * require vacations
Jersey City (1996)	clerical, food, janitorial, and security	poverty line family of four in 1997 increasing to 125% of poverty line in 5 years	* first consideration hiring to referrals from community hiring halls
New Haven (1997)	all city service contracts	wages at least equal to minimum city employee (\$7.55 in 1998)	
Durham (1998)	all service contracts	\$7.60	
Chicago (1998)	security, parking, day laborers, home and health care, cashiers, elevator operators, custodial, and clerical	\$7.60	* collective bargaining agreement may supersede
Cook County, IL (1998)	all contractors	\$7.25 with health benefits \$8.50 without	* earlier the coalition had gotten the same Living Wage for city employees
Pasadena (1998)	contracts \$25,000 or more	\$9 wages and benefits	new janitorial contracts must first interview workers employed on previous contract
Multnomah County, WA (1998)	janitorial, security, and food service; also seeking state funding to enable county to cover social service contracts	\$7.50/hr + at least \$2,000 a year of health care	* one week vacation
Hudson County, NJ (1999)	security, food service, janitorial, and clerical	\$8 with health benefits \$9.50 without	* 12 days paid vacation, 5 unpaid * collective bargaining agreement may supersede
Haywood, Ca (1999)	city employees over \$25,000: automotive repair, building maintenance, janitorial, landscaping, laundry services, temporary personnel, pest control, security services, and social service agencies	\$8.56 \$9.81 without health benefits	* also applies to all county employees
Miami-Dade County, FL (1999)	service contracts \$100,000+ for listed occupations; also applies to airport licensees	poverty level family of four	* also applies to all full and part-time city employees
Somerville, MA (1999)	\$50,000 to decrease over four years to \$10,000	\$8.32 with health benefits \$9.46 without	* employee retention * limits part-time work * collective bargaining agreement may supersede * no county funds may be used to inhibit employee organization (unionization)
Los Angeles County (1999)	full-time employees on contracts \$25,000 or more	\$6.22 in 2000; \$8.08 in 2002 \$ 1 more if no health benefits	* prior to contract must submit hiring and wage goals; quarterly reports after receive contract
Buffalo (1999)	Contracts \$50,000 or more; includes workfare workers	\$8.00 with health care 9.00 without	* must maintain a workforce of at least 60% city residents.
Tucson (1999)	maintenance, refuse and recycling, custodial, landscape, security, moving, temporary employees, pest control	\$9.00/hr.	
Corvallis, OR (1999)	prohibits city from entering into contracts of \$5,000+ if not pay a living wage	poverty family of four	
Denver (2000)	\$2,000 or more engaged in parking attendant, security, clerical support, or child care.	\$7.25 with health benefits \$8.50 if without	* 6 paid days off + 6 unpaid
San Fernando, CA (2000)	contracts or grants \$25,000+ Includes employees of temp agencies	\$9.84 indexed to poverty threshold	
Alexandria, VA (2000)	all service contractors	\$9; \$10 in 2001; 2.5% increase next three years. Companion legislation requires one of three health insurance options.	* 12 paid vacation days * 10 unpaid days for family emergencies
San Francisco (2000)	contracts, including non-profits, and leaseholders at airport	\$6.67 with health benefits or \$7.40 without	
Eau Claire County, WI (2000)	contracts over \$100,000	\$11 with health benefits or \$12 without.	
Santa Cruz (2000)	contractors, including non-profits Includes city employees	110% poverty from family of four Additional sum if no healthcare based on average insurance cost in state	
Meriden, CT (2000)	Service contracts \$50,000+	\$8.50 or \$9.75 without healthcare Indexed to inflation	
Salem, OR (2001)	Service contracts \$25,000+	\$8.56 or \$9.81 without healthcare, indexed annually.	
Ferndale, MI (2001)	City and certain service contracts \$100,000+	\$8 or \$10 without healthcare.	exempts in-home support workers, board and care services and printing or copying services.
Miami Beach, FL (2001)	Contractors and subcontractors on county-financed projects	\$8.50 +2.37 if no health benefits, indexed by CPI.	Requires apprentice training programs Job training and youth employ. exempt
Ventura County, CA (2001)	all contracts	\$9 or \$10.25 if no health benefits.	
Gloucester County, NY (2001)	Contracts \$50,000+ for janitorial and security		

Monroe County, MI (2001)	County and contracts \$10,000+	\$8.70 or \$10.20 if no health benefits, indexed annually.	
Washtenaw County, MI (2001)	Contracts \$10,000+	\$8.70 or \$10.20 if no health benefits.	Non-profits can apply for three year exemption if can show need for phase in time.
Charlottesville, VA (2001)	all city contracts	\$8	
Cumberland County, NJ (2001)	Service contracts	\$8.50 +\$2.37 with no health benefits, +\$1.50 with no pension	
Santa Cruz, CA (2001, amended 2002)	Service contracts	\$11.50 or \$12.55 with no health benefits, indexed annually.	
Montgomery County, MD (2002)	All for-profit contractors \$50,000+ and at least 10 employees	\$10.25	Provisions to encourage non-profit compliance
Oxnard, CA (2002)	Contracts \$25,000+	\$9 with planned annual adjustments to \$12.22 in 2004, then indexed.	Paid leave of 96 hours annually by 2004
Watsonville, CA (2002)	Contracts in 14 categories	\$11.50 or \$12.55 with no health benefits, indexed annually.	10 compensated days off for sick or vacation. Worker retention language.
Broward County, FL (2002)	County + contracts in food prep., security, maintenance, clerical, transportation, landscaping & printing	\$9.57 or \$10.82 with no health benefits, indexed annually.	
Taylor, MI (2002)	Contracts \$50,000+	\$8.64 or \$10.80 with no health benefits, indexed annually.	
Cincinnati, OH (2002)	City and contracts \$20,000+	\$8.70 or \$10.20 without health benefits, adjusted annually.	
New York (2002)	50,000 workers on city contracts in healthcare and other industries	\$8.10 or \$9.60 without health benefits, will reach \$10 by 2006.	
Bellingham, WA (2002)	Contracts \$10,000+ in fourteen categories including clerical, parking, security, janitorial, laundry, shuttle transport, and auto maintenance.	\$10 or \$11.50 without health benefits	

Economic Development	Thresholds	Living Wage	Other Provisions
Santa Clara County (1995)	new tax abatements	\$10	* require health care or suitable alternative * must disclose how many jobs will be created, the wages and benefits, and other subsidies being sought
St. Paul (1997)	\$100,000 phase in to also cover contractors	110% poverty line family of four; 100% if provide health care	* requires 60% new hiring from city residents
Minneapolis (1997)	\$100,000 phase in to also cover contractors	110% poverty line family of four; 100% if provide health care	* goal of 60% new hiring from city residents * ban privatization if result in lower wages * preference to union-friendly businesses
San Antonio (1998)	70% of employees in new jobs created	\$9.27 non-durable goods and service \$10.13 durable goods	* business may be available for more tax abatements if 25% new hires go to disadvantaged individuals * retail facilities are deemed ineligible for tax abatements
Missoula, MT (2001)	Economic dev assistance	At least match the lowest-paid full time city employee (then \$7.95) plus health benefits.	Must comply with the Fair Labor Standards Act
Bozeman, MT (2001)	City + financial assistance	\$8.50 or \$9.50 with no health benefits, indexed to CPI.	
Pima County, AZ (2002)			
Marin County, CA (2002)	County + service contracts	\$9 or \$10.25 with no health benefits, indexed annually.	

Contracts & Economic Development	Thresholds	Living Wage	Other Provisions
Los Angeles (1997)	\$25,000 contracts leases on city property \$1 million subsidy or \$100,000 if on a continuing annual basis	\$7.39 with health care or \$8.64 without	* require 12 paid vacation days and 10 unpaid sick days * collective bargaining agreement may supersede * anti-retaliation & worker protections * work-contracted-out must pay a living wage
Duluth (1997)	\$5,000 contracts \$25,000 financial assistance	\$7.25 with health care or \$6.25 without	
Boston (1997-98)	\$25,000 contracts \$100,000 financial assistance -- modified to mandate only community hiring, not a Living Wage	poverty level for a family of four	* must use community based hiring halls and/or job centers * as part of contract signing, contractor must report hiring, wages levels and training plans. * quarterly reporting required * Living Wage advisory committee with labor and community representatives
Oakland (1998)	\$25,000 contracts leases on city property \$100,000 subsidies	\$8.00 with health care or \$9.25 without -- \$9.45 and \$10.87 in 2002.	* require 12 paid vacation days and 10 unpaid sick days * collective bargaining agreement may supersede
Port of Oakland (2002)	Extend Oakland living wage to the Airport and Seaport to cover 1,500 workers		
Detroit (1998)	\$50,000 in contracts or financial assistance for the purposes of job growth or economic development	poverty line family of four with health care or 125% if no health care	* where possible prioritize city residents for hiring
San Jose (1998)	contracts over \$20,000 direct financial grants over \$100,000/year	\$9.50 with health insurance \$10.75 without	* companies must ensure labor peace * central labor council notified when bids let out * new contractors hire existing workers
Madison, WI (1999)	Contracts \$5,000+ Financial Assistance \$100,000 City Employees	\$7.91 by 2001 110% poverty line family of four	* collective bargaining agreement may supersede
Ypsilanti Twp, MI (1999)	all contracts and financial assistance \$10,000+	\$8.50 with healthcare \$10 without	* collective bargaining agreement may supersede * non-profits unfairly harmed may be exempted
Ypsilanti, MI (1999)	all contracts and financial assistance \$20,000+	\$8.50 with healthcare \$10 without	* collective bargaining agreement may supersede * non-profits unfairly harmed may be exempted * city will also pay a living wage * encourages local hiring and contractors * annual recognition list of living wage employers

Dane County, WI (1999)	Contracts and Development Assistance \$5,000+ County Employees	poverty line family of four possible healthcare will be considered in July 99	
Cambridge, MA (1999)	\$10,000 contracts or assistance	\$10.00 adjusted annually using CPI	* also applies to all city employees * annual city report and Community Advisory Board
Hartford (1999)	certain city contracts over \$50,000 development projects of \$100,000+	110% poverty family of four health plan requiring employee contribution of no more than 3% of wages or must pay additional rate equal to the cost of health care.	* development projects allow workers to be represented by a union in exchange for "labor peace" (no-strike clause).
Warren, MI (2000)	contracts or tax breaks \$50,000+	100% poverty for family of four 125% with out health care	
Omaha, MB (2000)	contracts and other firms who benefit from at least \$75,000 Includes city employees	poverty level family of four with health or 110% without	Repealed 9/01
Toledo (2000)	contracts over \$10,000 & 25+ employees); subsidies over \$100,000 & 50+ employees); tenants of properties that have benefited from city assistance.	110% federal poverty level with health care or 130% without.	
Cleveland (2000)	contracts and subsidies \$75,000+ covers workers 30+ hour/week Includes leaseholders or tenants of recipients of assistance	\$8.20 in 2001; \$9.20 in 2002 then indexed	* At least 40% of new hires must be city residents * Incentives to provide health care
St Louis, MO (2000)	contracts \$50,000+ subsidies \$100,000+	lift family of three above eligibility for food stamps (in 2000 \$8.84 with benefits, \$10.23 without)	
Berkeley, CA (2000)	city contracts; financial assistance; city employees; and businesses that lease land from the city. Amended to include all companies at the Berkeley Marina.	\$9.75 with health benefits or \$11.37 without.	
Rochester, NY (2001)	Service contracts 50,000+ Economic development assist.	\$8.52 or \$9.52 without healthcare Indexed to inflation	Employers must report annually on job titles and wages of covered employees.
Ann Arbor, MI (2001)	Service contracts \$10,000+ Financial assistance	\$8.70 or \$10.20 without healthcare, indexed annually	Non-profits can apply for three year exemption if can show need for phase in time.
Eastpointe, MI (2001) Reaffirmed by voters (2001)	Contracts and tax incentives of \$5,000+	100% poverty for family of four or 125% if not health care.	
Pittsfield Township, MI (2001)	Contracts or financial assistance of \$10,000+	\$8.70 or \$10.20 without healthcare, indexed annually	Covers for-profit 5+ employees, non-profits 10+
Santa Monica (2001) Repealed by ballot (2002)	All employers with special coastal tourist zone with revenues of \$5 million+	\$10.50 +\$2.50 an hour more if no health care.	Law repealed before went into effect
Pittsburgh (2001)	City + certain contracts, subsidy recipients, and leasees.	\$9.12 or \$10.62 with no healthcare.	Covers for profit 10+ employees, non-profits 25+ 3 year phase in for non-profits
Suffolk County, NY (2001)	Loans, grants or tax abatements valued at \$50,000+ & service contractors \$10,000+	\$9 or \$10.25 if no health benefits worth at least \$1.25 an hour.	Includes tenants and leaseholders of covered employers. Non-profits can apply for one-year phase in.
Ashland, OR (2001)	City, contracts, and tax abatements \$15,000+	Wage and benefit package worth \$10.75, indexed annually.	
Richmond, CA (2001)	Contracts \$25,000+; subsidies \$100,000+; leases with revenues of \$350,000+	\$11.42 or \$12.92 with no health benefits, indexed annually.	
Burlington, VT (2001)	City; contracts, and grants \$15,000+	\$10.93 or \$12.68 with no health benefits, indexed annually using state "basic needs budget."	12 compensated days off per year
New Britain, CT (2001)	Contracts or development assistance \$25,000+	118% of poverty family of four	
Santa Fe, NM (2002)	Full-time city contracts \$30,000+ and certain economic assistance	\$8.50 in 2003, \$9.50 in 2004, \$10.50 in 2005	
Southfield, MI (2002)	Contracts \$50,000+ and tax abatements	100% poverty family of four or 125% if no health benefits.	
Fairfax, Ca (2002)	City, contracts \$10,000+; subsidies \$15,000+ and tent workers	\$13 or \$14.75 with no health benefits, indexed annually.	Neutrality during union organizing
Westchester County, NY (2002)	Contracts \$50,000+; financial assistance \$100,000+	\$10.75 in 2004, \$11.50 2005 + \$1.50 with no health benefits.	Task force to develop living wage legislation to cover 1000 childcare workers

Appendix C.

Sample Cost Estimates for Oak Park Area Using 3 Different LW Methodologies

Economic Policy Institute – Basic Family Budget Calculator
(http://www.epi.org/content/budget_calculator)

Basic Family Budget Calculator

Chicago-Naperville-Joliet, IL HUD Metro FMR Area
One Parent, Two Children

Item	Cost
Monthly Housing	\$944
Monthly Food	\$465
Monthly Child Care	\$989
Monthly Transportation	\$277
Monthly Health Care	\$260
Monthly Other Necessities	\$339
Monthly Taxes	\$375
Monthly Total	\$3648
Annual Total	\$43778

Chicago-Naperville-Joliet, IL HUD Metro FMR Area
Two Parents, Two Children

Item	Cost
Monthly Housing	\$944
Monthly Food	\$643
Monthly Child Care	\$989
Monthly Transportation	\$401
Monthly Health Care	\$321
Monthly Other Necessities	\$382
Monthly Taxes	\$387
Monthly Total	\$4067
Annual Total	\$48800

Chicago-Naperville-Joliet, IL HUD Metro FMR Area
One Parent, One Child

Item	Cost
Monthly Housing	\$944
Monthly Food	\$317
Monthly Child Care	\$608
Monthly Transportation	\$277
Monthly Health Care	\$183
Monthly Other Necessities	\$303
Monthly Taxes	\$379
Monthly Total	\$3011
Annual Total	\$36130

Living Wage Calculation for Oak Park village, Cook County, Illinois

The living wage shown is the hourly rate that an individual must earn to support their family, if they are the sole provider and are working full-time (2080 hours per year). The state minimum wage is the same for all individuals, regardless of how many dependents they may have. The poverty rate is typically quoted as gross annual income. We have converted it to an hourly wage for the sake of comparison. Wages that are less than the living wage are shown in red.

Hourly Wages	One Adult	One Adult One Child	Two Adults	Two Adults One Child	Two Adults Two Children
Living Wage	\$9.96	\$18.16	\$14.78	\$22.90	\$29.67
Poverty Wage	\$5.04	\$6.68	\$6.49	\$7.81	\$9.83
Minimum Wage	\$8.00	\$8.00	\$8.00	\$8.00	\$8.00

Typical Expenses

These figures show the individual expenses that went into the living wage estimate. Their values vary by family size, composition, and the current location.

Monthly Expenses	One Adult	One Adult One Child	Two Adults	Two Adults One Child	Two Adults Two Children
Food	\$237	\$386	\$458	\$607	\$756
Child Care	\$0	\$624	\$0	\$624	\$1,104
Medical	\$94	\$186	\$188	\$280	\$372
Housing	\$840	\$944	\$840	\$944	\$944
Transportation	\$278	\$479	\$556	\$757	\$958
Other	\$200	\$393	\$400	\$593	\$786
Monthly After-Tax Income That's Required	\$1,649	\$3,012	\$2,442	\$3,805	\$4,920
Annual After-Tax Income That's Required	\$19,788	\$36,144	\$29,304	\$45,660	\$59,046
Annual Taxes	\$938	\$1,629	\$1,433	\$2,148	\$2,671
Annual Before Tax Income That's Required	\$20,726	\$37,773	\$30,737	\$47,808	\$61,717

**Self-Sufficiency Standard for Illinois
For One Adult, a Schoolage Child and a Teenager in 2001
One Full Time Income**

Monthly Costs	Cook County Northern Suburbs	Cook County - Chicago and Selected Northside Areas (High Cost)	Cook County Rest of Chicago South and West Suburbs	Cook County Cicero
Housing	\$1,069.00	\$980.00	\$891.00	\$802.00
Child Care*	\$349.00	\$349.00	\$349.00	\$349.00
Food	\$461.00	\$461.00	\$461.00	\$461.00
Transportation	\$75.00	\$75.00	\$75.00	\$75.00
Health Care	\$267.00	\$284.00	\$267.00	\$267.00
Miscellaneous	\$222.00	\$215.00	\$204.00	\$195.00
Taxes	\$545.00	\$517.00	\$466.00	\$417.00
Earned Income				
Tax Credit (-)	\$0.00	\$0.00	-\$27.00	\$0.00
Child Care Tax Credit (-)	-\$40.00	-\$40.00	-\$40.00	-\$80.00
Child Tax Credit (-)	-\$100.00	-\$100.00	-\$100.00	-\$100.00
Self-Sufficiency Per-Adult Hourly Wage*	\$16.43	\$15.81	\$14.69	\$13.77
Monthly**	\$2,848.00	\$2,741.00	\$2,546.00	\$2,386.00
Annual***	\$34,176.00	\$32,892.00	\$30,552.00	\$28,632.00

* Yearly wage divided by 2080.

** Sum of monthly costs.

*** Monthly costs of living times 12.

Source: *The Self-Sufficiency Standard for Illinois* (Pearce & Brooks, 2001), Tables 3-6, p. 40-1.

Appendix D.

CRC Living Wage Subcommittee Report

PRELIMINARY FINDINGS

March 8, 2009

Community Relations Commission (CRC) Sub-Committee on Proposed Living Wage Ordinance

1. On March 6th, a sub-committee of the CRC met to consider a proposed Living Wage ordinance. This was done in response to a specific request by the Oak Park Village Board that the CRC provide a recommendation with respect to the proposed ordinance. The specific purpose of this sub-committee meeting was to arrive at action plan as a "Way Ahead" by which the entire CRC can consider the proposed ordinance and respond to the Village Board accordingly. The commissioners in attendance were: Florian Schalliol, Robert Kane, Bamshad Mobasher, and John Mikos.

2. The sub-committee's initial assessment is that there appears to be general support amongst Oak Parkers for the principle of a Living Wage ordinance. The group noted that the following language appeared on the ballot in the 2008 election and received an overall 60% "YES" vote:

"Shall the Village of Oak Park enact a 'Living Wage' ordinance stipulating that a) Village employees, b) employees of contractors or subcontractors performing work for the Village, and c) employees of businesses that receive a significant financial subsidy from the Village, receive a living wage indexed to inflation that would include health benefits and time off?"

This assessment was also reinforced by our own sense, as residents of Oak Park, of how our neighbors and fellow citizens view this matter. It was the sub-committee's view that the ideals of economic justice and a respect for the dignity of work that underlies the Living Wage Ordinance are consistent with the values of most Oak Parkers.

3. The sub-committee also considered the draft ordinance submitted to the Village Board. The group acknowledged that this was a well constructed document which had been carefully created to serve as a piece of model legislation for local governments throughout the country. As such, this proposed document is a good start point for considering a possible ordinance in Oak Park. The sub-committee also recognized that this was an opportunity for Oak Park to send a positive message in favor of economic justice and serve as an example for other communities to follow.

4. However, the sub-committee determined that there are number of areas of specific language in the draft ordinance that raise some concern and require clarification in order to accomplish our required due diligence in responding to the Village Board request. The following areas of clarification are needed with respect to the specific language of this draft ordinance:

a. How many and of what type of village contractors can be expected to be affected by this ordinance as currently written?

b. How many and of what type of grantees would be affected by this ordinance as currently written? For instance, would small retail shops in the village that either currently receive or could potentially receive grants be excluded from such grants in the future? If so, what grant programs are most likely to be affected?

c. Would the adoption of this ordinance as currently written affect any other bodies of local government based upon the Village's status as a Home Rule municipality?

d. Would the adoption of this ordinance as currently written affect any other bodies of local government based upon the legal structure of those bodies of government? (Note: The Library Board in particular was the issue here based upon its legal relationship to the Village of Oak Park municipal government.)

e. Would the adoption of this ordinance as currently written affect any other bodies of local government based upon any specific agreements or financial arrangements that may be in place between those governmental bodies and the Village of Oak Park government?

f. Would the adoption of this ordinance as currently written affect the members of Down Town Oak Park (DTOP) based upon any agreements or financial arrangements that may exist between the DTOP and the Village of Oak Park Government?

Each of the above items requires clarification. The sub-committee agreed to draft a letter to the Village Manager asking for his assistance in offering technical and legal opinions on these items.

5. The sub-committee recommends the following steps be taken as a "Way Ahead" on this matter;

STEP #1- The CRC acting as a COMMITTEE OF THE WHOLE considers the following resolution at the next schedule regular commission meeting as a start point to our work:

"The CRC acting as a Committee of the Whole believes there is general support in Oak Park for a Living Wage ordinance and that the ideals of economic justice and a respect for the dignity of work that underlies the Living Wage ordinance are consistent with the values of most Oak Parkers. Furthermore, we believe the draft ordinance provided (see attached) is a good start point for considering the matter and inviting public comment."

STEP #2- The CRC receives a response from the Village Manager in response to the request for technical information and legal opinion to specified questions.

STEP # 3- The CRC considers the Village Manager response and make necessary amendments to the proposed ordinance to address specific issues identified.

STEP #4- The CRC crafts a revised draft ordinance (with amendments) and invites public comment on the document at a regularly scheduled meeting.

STEP #5- The CRC considers public comments and makes further necessary amendments to address specific issues identified.

STEP #6- The CRC votes on a final draft document and submits it the Village Board in response to their request.

Appendix E.

**Village Attorney's Legal Opinion on the Scope and
Applicability of an Oak Park Living Wage Ordinance**

memorandum

DATE: April 9, 2009
TO: John Murtagh
CC: Tom Barwin
FROM: Ray Heise 
RE: Village Relationship with Other Units of Local Government

John, the Manager asked me yesterday to respond to your inquiry concerning the Village's authority with regard to other units of local government in the Village.

The Village has a unique and supportive relationship with virtually every unit of local government within the Village. It is not unusual to have intergovernmental agreements which address common concerns. These agreements change with the needs of the units of local government and generally do not extend to issues beyond the immediate goals, problems or concerns being addressed.

Except for some narrowly defined areas of responsibility and as otherwise voluntarily agreed to in intergovernmental agreements, each unit of local government (schools, parks, township, etc.) legally functions independently of one another.

The Village, for example, has intergovernmental agreements with the Park District and District 97 to enforce their rules and regulations with regard to the public's use of their respective properties. The Village, through its Police force and other designated enforcement officers, has agreed to enforce their legally adopted rules and regulations.

The Village does not regulate or permit construction work by other units of local government on their properties but does exercise limited zoning authority over them. The School Districts, by State Statute, have their own statewide system for regulating construction on school grounds.

Due to the fact that the Village Zoning Ordinance addresses potential adverse impacts which extend beyond the unit of local governments' property boundaries and into the surrounding Village neighborhoods, the Village is permitted to exercise some control. This is the basis for the Special Use Permit hearing process for High School Stadium lights presently before the Plan Commission.

At first glance it may appear that the Village has control over the Library. It once did. It no longer does. More than 30 years ago an Illinois Court determined that municipalities had the authority to amend, change or reject a Library Board determination of its annual levy amount. Legislation quickly followed to provide that municipalities do not have the right to amend, change or reject Library Board levy amount determinations.

There are narrowly prescribed and seldom, if ever, used areas of responsibility where the Village has authority with regard to Library matters. If the Library, for example, wished to exceed its statutory levy authority without voter approval (which it does not) the Library could request additional levy authority through the Village's Home Rule Powers. The Village would be under no obligation to grant such a request. The Village also had final decision-making authority with regard to the use of its bonding authority to construct the new Library.

Aside from these narrowly prescribed and seldom used areas of authority, the Village serves as the conduit for the Library levy, but it does not control it.

Hopefully, the above examples provide some context for the blanket ~~statement that the Village does not have legal authority to impose an ordinance, such as a living wage ordinance, on the other independent units of local government within the Village.~~

There is, however, no legal obstacle to the Village applying a living wage ordinance to itself and to the contractors with which it does business. While the Prevailing Wage Act continues to expand its application to a broader range of public contract functions, there may be a number of contracting categories, such as security and maintenance, that continue to fall outside of its purview.

RLH:kdb

Appendix F.

2008 Public Works Village Contracts and Contractors

CURRENT DATA BASED ON 2008 CALENDAR YEAR	Name	Service	Ave. Employees working in Oak Park	2008 Contract Value
Tree Trimming	B. Haney & Sons	Tree Trimming	6 to 10	\$125,000.00
Landscape Maintenance	Atrium	Landscape Maintenance	4 to 6, three days per week	\$43,875.00
Business District Planter Maintenance	McAdam Landscape	Commercial District planter plant installation and maintenance & regular Landscape Maintenance	6 per 2 week planting rotation installation, 3 per week watering and maintenance	\$161,500.00
Tree Stumping	Autumn Tree Care	Stump Removal & Restoration	6	\$145,000.00
Tree Removal	B. Haney & Sons, Winkler Tree Service	Tree Removal & Storm Damage Assistance	15 - 20 during operations	\$200,000.00
Custodial Services	ABC Commercial Maintenance, Inc.	Cleaning of Village buildings: fire stations, police station, Village Hall, Public Works Center and Metra Station	4 per day, 5 days per week	\$89,700.00
			TOTAL:	\$765,075.00

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Date: July 11, 2014

To: Village President and Board of Trustees

Fr: Cara Pavlicek, Village Manager

Re: **Review of Living Wage Ordinance**

Cc: Deputy Village Manager Shelley
Community Relations Director Melton

As part the June 16, 2014, Regular Meeting of the Village Board the Village Manager was asked to review and recommend a process for consideration of a Living Wage Ordinance in the Village of Oak Park.

A living wage ordinance is a local law that may be adopted by a home rule unit of government for the purpose of establishing wage rate for employees of that unit of government and may extend to employees of contractors and grantees of the Village government.

Minimum wages and rules for all workers in the U.S. are established by the Federal government. State government may also establish minimum wages for all workers within a State, as long as the State minimum wage is greater than the Federal minimum wage. City/village government in Illinois, including home rule units, may not establish minimum wages for all workers within the corporate limits of that city/village as this matter is a statewide concern reserved for regulation by the State of Illinois. As a result, "living wage ordinances" as stated above, a living wage ordinance may extend at most to employees of the municipality and its contractors/grantees employees when working for the municipality.

Recommended Process for Review

Staff has carefully considered the Board's discussion from June 16, 2014 and would offer the following blueprint for the Village to consider a living wage ordinance. The recommendation is made in consideration of the Village staff's capacity to conduct an accurate financial analysis of the impact of a living wage ordinance based upon the parameters recommended by the Community Relations Commission (CRC) in 2010 (see background for more detail). The timeframe proposed additionally takes into consideration the concurrent discussion at a state level regarding minimum wage.

Specifically, staff understands that in November 2014, voters in Illinois will be asked via a referendum to opine on whether the Illinois minimum wage should be increased from \$8.25 per hour to \$10.65. Following that referendum, it is possible that the State could act to increase the minimum wage in Illinois. While the proposed \$10.65 Illinois minimum wage is below the \$11.50 living wage proposed by the CRC, a statewide increase in the minimum wage is applicable to all workers and therefore presents a greater impact to individual income levels.

Therefore, staff would propose to begin the Village's review in several phases as follows:

1. As part of the FY15 budget process (which has started at a staff level), staff can identify contractors and grantees that receive in excess of \$25,000 or \$50,000 annually from the Village (see background from the CRC recommendation for applicability of these dollar limits). In FY13, the Village did business with more than 2,500 vendors of which more than 135 involved contracts in excess of \$25,000.

2. Upon development of the contractor/grantee list, staff will develop a database and identify if the hourly wage rates paid by the contractor/grantee to their employees who perform work for the Village is above or below the recommended living wage rate of \$11.50 per hour. It is noted that current contracts for service and current grant agreements do not consistently require the contractor/grantee to provide the Village with employees wage rates. Therefore, it is expected to be relatively labor intensive to audit contractor/grantee wages and create the database and in some cases the Village may not be able to obtain wage information.

Upon completion of the database (anticipated for Q1 2015), the specific impact of a living wage rate at or above \$11.50 could be projected and the resulting impact to the Village budget established.

3. In Q1 2015, staff will also research the process used of other municipalities to audit contractors/grantees to ensure compliance with a living wage ordinance and recommend a process for enforcement of a living wage ordinance.
4. Subsequently, it is proposed that the Village meet with its contractors and grantees that would be impacted by a living wage ordinance in April 2015 and present specific parameters of a living wage ordinance to be followed by a 60-day open comment period to allow for those entities which would be impacted to prepare and present to the Village written comments on or before July 1, 2015. The written comments would be assembled and presented to the Village Board concurrent with the recommendation for consideration by the Village Board on or before September 30, 2015. It is noteworthy that upon conclusion of this recommended process, should the Village Board direct staff to prepare a living wage ordinance for adoption, the effective implementation date would be recommended on or about January 1, 2016, which would be compatible with the annual budget process.

Alternatively, if the direction of the Village Board is to evaluate a living wage ordinance in the short term, staff would recommend issuance of a RFQ for a professional services agreement to review the financial impact of a living wage ordinance as proposed by the CRC. The Board could provide the specific timetable desired and staff would prepare the RFQ in accordance with that desired schedule.

Background

On November 4, 2008 the electorate of Oak Park voted in a non-binding ballot initiative to support the enactment of a living wage ordinance by the Village of Oak Park. In January 2009, the Village Board moved to assign to the CRC a review of the financial impact of a living wage ordinance. While the review provided a limited analysis of the impact, a CRC subcommittee made a formal recommendation to the Village Board in support of creating a living wage ordinance. The recommendation followed 13 meetings to debate and research the issue. In addition, two public meetings specifically inviting the general public to offer input were held in January and February 2010.

A final report by the CRC is attached along with a minority report by the two Commission members who opposed the living wage ordinance recommendation. On July 6, 2010, the Village Board reviewed the report and recommendation. The Village Board voted to reject the creation of a living wage ordinance in Oak Park.

The CRC's recommendation was very complex. In general, the parameters for a living wage ordinance were inclusive of the following:

- A minimum hourly wage rate of \$11.50 for calendar year 2011 with annual adjustments tied to CPI. With this stipulation, the recommended hourly rate in 2014 would be \$12.00

Year	CPI	Hourly Rate
2011	2.10%	\$11.50
2012	1.70%	\$11.74
2013	0.50%	\$11.94
2014		\$12.00

- A minimum of one-week paid vacation annually.
- A minimum of five paid sick days annually.

It was recommended by CRC that a living wage would generally apply to:

- Employees of the Village of Oak Park excluding:
 - Student Interns
 - Part-time employees who work less than 20 hours per week
 - Employees covered by a collective bargaining agreement
- Employees of private entities and their subcontractors who have entered into a contract with the Village of Oak Park in excess of \$25,000 when their employee(s) perform work for the Village under the contract with the Village, excluding:
 - Contracts/Services covered by the Prevailing Wage Act
 - Professional service providers such as lawyers, banking and architectural services
 - Contracts for the purchase/lease of goods and property
 - For-Profit entities with less than five employees
 - Not-For-Profit entities with less than 10 employees
- Employees of private entities who receive financial assistance (such as a grant from CDBG funds or general Village funds) in excess of \$50,000 to perform work or services in Oak Park when their employee(s) perform work activities under the grant excluding:
 - Financial Assistance/Grants from an Special Service Area (SSA)
 - For-Profit entities with less than five employees
 - Not-For-Profit entities with less than 10 employees

Next Steps

The next regularly scheduled meeting of the Village Board is July 21, 2014. At this time, staff is aware of a number of pending items on that agenda that will require discussion. As such, it is proposed that the Village Board discuss this matter as part of the August 4, 2014 agenda.

If you have questions or need additional information, please advise.