



## Agenda Item Summary

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**File #:** ORD 16-106, **Version:** 1

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### **Submitted By**

Cara Pavlicek, Village Manager

### **Reviewed By**

LKS

### **Agenda Item Title**

**Second Reading and Adoption of an Ordinance Amending Chapter 2 ("Administration"), Article 6 ("Finance Department") of the Oak Park Village Code by Adding a new Section 2-6-20 ("Living Wage")**

### **Overview**

Pursuant to the Village Board's direction on July 5, 2016, a Living Wage Ordinance has been prepared to establish a minimum wage rate of \$12.00 per hour for employees of the Village of Oak Park and extending to certain employees of contractors/grantees of the Village Government with Contracts for Services in excess of \$25,000 per year with a phased implementation in 2017 and 2018 and seeking a review in July 2018 for future rates. A First Reading of this Ordinance was held on August 1, 2016.

### **Staff Recommendation**

Approve the Ordinance

### **Fiscal Impact**

Subject to adoption of the Ordinance at a future Village Board meeting, as part of the FY17 budget process (which has started at a staff level), staff will identify contractors and grantees that receive in excess of \$25,000 annually from the Village and begin the process of incorporating living wages into such contracts for FY18. For reference, in FY13, the Village did business with more than 2,500 vendors of which more than 135 are in excess of \$25,000.

### **Background**

In the summer of 2014, there was further discussion of a Living Wage Ordinance by the Village Board and the Village Manager provided a recommended implementation strategy for a Living Wage Ordinance in Oak Park. That memo in part stated:

As part of 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 may not establish minimum wages for all workers within the corporate limits of that city/village as this is a legislative action reserved by the State of Illinois. As a result, “living wage ordinances” as stated above, may extend at most to employees of the municipality and its contractors/grantees employees when working for the municipality.

Staff continues to maintain its recommendation from 2014 for 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 attachments for more detail).

Staff notes that a proposed Living Wage Ordinance would be prospective and would not allow for any retroactive review of existing Village contracts previously approved for services to evaluate wage rates and would include the following:

1. A proposed Living Wage Ordinance would provide a Minimum Wage Rate of \$12.00 per hour for Employees of the Village of Oak Park.
2. A proposed Living Wage Ordinance would provide a Minimum Wage Rate of \$12.00 per hour for Certain Employees of Contractors/Grantees of the Village Government if:
  - a. There is a Contract for Services with the Village in excess of \$25,000 per year approved by the Village Board which establishes a Living Wage requirement in conformance with the proposed Living Wage Ordinance; and
  - b. The Contract for Services provides for private employees to perform work/services for the Village;
  - c. The Contract is not subject to Prevailing Wages under state law.
3. A proposed Living Wage Ordinance would not extend to vendors that the Village purchases materials from since staff does not have the capacity to audit vendors to determine the wages they are paying their employees.
4. It is not recommended that the ordinance extend to economic incentive agreements. Should the Village Board direct, staff would propose a future evaluation of the merits of broadening the proposed ordinance following implementation and review of the current proposal.

Staff proposes a phased implementation of a Living Wage Ordinance as follows:

1. As part of the FY17 budget process (which has started at a staff level), staff can identify contractors and grantees that receive in excess of \$25,000 annually from the Village. The Village on average does business with more than 2,500 vendors of which more than 135 are 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 contract/grantee to their employees who solely perform work for the Village and are above or below the recommended living wage rate of \$12.00 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 2017), the specific impact of a living wage rate at or above \$12.00 could be projected and the resulting impact to the Village budget established.

3. In Q2 2017, staff will also research the process used by 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 Q2 of 2017 and present specific parameters for future contracts for services related to a living wage ordinance and allow for an open comment period to allow for those Oak Park entities which would be impacted to prepare and present to the Village written comments. The written comments would be assembled and presented to the Village Board concurrent with the recommendation for a formal template for language to be included in all future contracts for services that would be subject to a Living Wage Ordinance. It is noteworthy that upon conclusion of this recommended process, contracts for services would be prospectively presented to the Village Board with an effective implementation date on or after January 1, 2018, which would be compatible with the annual budget process.

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 of the Village of Oak Park. In January 2009, the Village Board moved to assign a review of the impact of a Living Wage Ordinance to the CRC. While the CRC provided a limited review of the impact, the CRC 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. On July 6, 2010, the Village Board reviewed the recommendation from the CRC in favor of a Living Wage Ordinance.

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. (NOTE: The CPI in 2014 and 2015 increased by less than 1% each year).

Year	CPI	Hourly Rate
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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 CDGB 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 SSA
  - For-Profit entities with less than five employees
  - Not-For-Profit entities with less than 10 employees

On July 6, 2010, the Village Board reviewed the recommendation from the Community Relations Commission (CRC)'s recommendation in favor of a Living Wage Ordinance. After discussion and review of the CRC's recommendation and a minority report by the Commission rejecting the creation of a living wage ordinance, the Board voted to reject the CRC recommendation. Recently two members of the Village Board asked that this issue be brought forward for discussion again to see if there is interest to revisit the issue.

### **Alternatives**

Staff will make any necessary changes to the ordinance based on input from the Board before bringing it back for a second reading at an upcoming meeting. The Board may also not approve the ordinance and table the second reading.

### **Previous Board Action**

On July 5, 2016, the Village Board approved a motion directing staff to prepare a Living Wage Ordinance for

the purpose of establishing a minimum wage rate of \$12.00 per hour for employees of the Village of Oak Park and extending to certain employees of contractors/grantees of the Village Government with Contracts for Services in excess of \$25,000 per year with a phased implementation in 2017 and 2018 and seeking a review in July 2018 for future rates.

On August 4, 2014, the Village Board discussed the direction at that time to reject creation of a Living Wage Ordinance.

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.

On July 6, 2010, the Village Board reviewed the recommendation from the Community Relations Commission (CRC)'s recommendation in favor of a Living Wage Ordinance. After discussion and review of the CRC's recommendation and a minority report by the Commission rejecting the creation of a living wage ordinance, the Board voted to reject the CRC recommendation. Recently two members of the Village Board asked that this issue be brought forward for discussion again to see if there is interest to revisit the issue.

#### **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**

Subject to consideration of the first reading of the proposed ordinance a Second Reading and adoption can be scheduled for as early as September 6, 2016.

#### **Intergovernmental Cooperation Opportunities**

N/A.

#### **Performance Management (MAP) Alignment**

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