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*Memorandum* Office

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Katy Allen

**SUBJECT:** 2010 LIVING WAGE RATES

**DATE:** 05-03-10

Approved

Date

5/10/10

### INFORMATION

#### LIVING WAGE RATES EFFECTIVE JULY 1, 2010

Based on the application of the methodology to adjust living wage rates outlined in the City's Living Wage Policy (Res. No. 68900), the living wage rates for contracts solicited for and entered into after July 1, 2010, will be:

- 1) If health insurance benefits are provided, a wage of no less than **\$12.94** per hour, or
- 2) If health insurance benefits are not provided, a wage of no less than **\$14.19** per hour.

#### BACKGROUND AND METHODOLOGY

Per the City's Living Wage Resolution (No. 68900), the Office of Equality Assurance (OEA) has reviewed the US Health and Human Services (HHS) Poverty Guidelines and Economic Research Institute's Geographic Assessor to determine if any adjustment to the City's living wage rate for 2010 is necessary.

The annual average Consumer Price Index (CPI-U) for 2009 decreased. In the absence of legislative change, the decrease – the first since the poverty guidelines began to be issued in 1965 – would have required HHS to issue 2010 poverty guidelines that were lower than the 2009 poverty guidelines that would have led to a reduction in eligibility for certain means-tested federal programs such as Medicaid, the Supplemental Nutrition Assistance Program and various child nutrition programs.

Rather than reduce eligibility, Congress in December 2009 passed and President Obama signed the Department of Defense Appropriations Act of 2010 which included a provision affecting the poverty guidelines. The provision directed the Secretary of HHS not to publish updated poverty guidelines for 2010 before March 1, 2010. On March 2, 2010, Congress enacted and the President signed the Temporary Extension Act of 2010 extending the 2009 poverty guidelines until at least March 31, 2010. And on April 15, 2010, President Obama signed the Continuing Extension Act of 2010 extending the 2009 poverty guidelines until at least May 31, 2010.

Given the uncertainty of the timing of the release of the 2010 poverty guidelines, OEA has used the 2009 federal poverty income standard for a family of 3 and the updated geographic adjustment factor to calculate the living rate effective July 1, 2010. If and when the 2010 poverty guidelines are released, OEA will readjust the living wage rates accordingly and notify contractors of the new rates immediately.

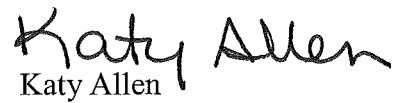
The current living wage rates (7/1/09 through 6/30/10) are:

- a) If health insurance benefits are provided, a wage of no less than **\$12.83** per hour; or
- b) If health insurance benefits are not provided, a wage of no less than **\$14.08** per hour.

To calculate the rates for 2010, the 2009 poverty guidelines for a family of 3 is \$18,310 or \$8.80 per hour. The geographic adjustment factor for a family of 3 is 47% - it costs 47% higher to live in San Jose than the national average at the federal poverty level for a family of 3.

2009 Federal Poverty Income Standard for Family of 3	x	Geographic Adjustment Factor	=	San Jose Living Wage Rate
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The attached table shows the history of the living wage adjustments and the geographic adjustment factor.

  
Katy Allen  
Director, Public Works Department

For questions, please contact NINA GRAYSON, DIVISION MANAGER, at 535-8455.

Attachment

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### San Jose Living Wage Rate Adjustment Table

The City of San Jose's Living Wage Policy (Resolution No. 68900) is subject to adjustment on July 1<sup>st</sup> of each year.

The living wage is reviewed each year to determine if an adjustment should be made based on any changes as of December 31 of the previous year in the federal poverty level standard for a family of three established by the US Department of Health and Human Services or the geographic cost of living differential used by the City to measure the difference between the poverty level standard for the City compared to the federal poverty level standard. If either standard has changed, the City recalibrates the wages using the original methodology with the new values. If neither standard has changed, the CPI for all Urban Consumers in the San Francisco-Oakland-San Jose area (US Department of Labor/Bureau of Labor Statistics) is reviewed. If the CPI has increased by at least 1%, the wage rate shall be adjusted by the same percentage change in the CPI but not to exceed 3%.

The table below shows the rate adjustments and geographic adjustment factors since adoption of the Policy in November 1998.

<b>Effective Dates</b>	<b>Rate W/Health Benefits</b>	<b>Rate W/O Health Benefits</b>	<b>Geographic Adjustment Factor</b>
July 1, 2010 – June 30, 2011	\$12.94	\$14.19	47%
July 1, 2009 – June 30, 2010	\$12.83	\$14.08	19.7%
July 1, 2008 – June 30, 2009	\$12.83	\$14.08	51.7%
July 1, 2007 – June 30, 2008	\$12.66	\$13.91	53.4%
July 1, 2006 – June 30, 2007	\$12.27	\$13.52	53.8%
July 1, 2005 – June 30, 2006	\$11.61	\$12.86	50%
July 1, 2004 – June 30, 2005	\$10.72	\$11.97	42.4%
July 1, 2003 – June 30, 2004	\$10.31	\$11.56	40.5%
July 1, 2002 – June 30, 2003	\$10.10	\$11.35	24.6%
July 1, 2001 – June 30, 2002	\$10.10	\$11.35	41.6%
July 1, 2000 – June 30, 2001	\$10.10	\$11.35	48.6%
November 17, 1998 – July 1, 2000	\$9.50	\$10.75	45.2%