



Finance Department  
Brendan T. O'Connell, Director

**TO:** Health & Human Services and Public Safety Committee

**FROM:** Brendan T. O'Connell – Finance Director

**DATE:** June 8<sup>th</sup>, 2018

**SUBJECT:** **Internal Estimated Costs to City of Portland Budget Resulting from Proposal to Require Paid Sick Leave for All Employees**

Members of the Health & Human Services and Public Safety Committee,

At the November 14, 2017 Health & Human Services and Public Safety Committee Meeting many requests for financial information were made. This memo addresses questions related to cost to the City of Portland and discusses how the ordinance would impact the City budget. The estimated costs to the City can generally be divided into four categories:

1. Increase in payroll expenses as a result of additional paid sick time (approximately \$107,000)  
NOTE: There may be additional revenue losses as a result of additional time off taken
2. Increase in payroll expenses as a result of new staff required to enforce the ordinance (estimated to be approximately \$210,000)
3. Increase in other budgeted expenses as a result of required advertising and educational outreach effort including outside legal counsel (estimated to be between \$25,000 - \$80,000)
4. Pass on of costs related to the proposed ordinance from Portland based vendors we utilize (estimate of \$32,000)

Using the low end of the estimated costs to the City budget, the addition of \$374,000 to the FY19 budget would have added 5 cents to the mil rate and made the overall tax rate increase 4.1% vs 3.8%.

#### **Cost Category #1 – Increase in payroll expenses as a result of additional paid sick time**

Using data from calendar year 2017, Finance Department payroll staff compiled all of the hours worked by temporary, seasonal, on-call, and tipped workers who were not benefit eligible. In total, there were just over 500 workers in this category across a variety of City departments and divisions. A total of 122,501.4 hours were worked by these employees.

Each Department / Division has unique requirements for their workers and different practices / procedures for when workers call out. For example, within the City Clerk's office, the non-benefit eligible employees are the election workers who work only during elections (2-3 days per year). If an employee happened to be unable to work during a particular election, they would simply not work on

that particular election day, and the City Clerk would call the next election worker on their list who would be paid at straight time.

A more complex example is within Parks and Recreation, a department with a wide variety of divisions and activities. Within the Public Assembly division, the procedures are somewhat similar to those at the City Clerk. Workers are called in only on event days, and if a worker was unable to work on a particular event night, the next employee on the list would be contacted and that employee would likely be paid at straight time. Contrast that with the Parks & Recreation Ice Arena, Recreation and Aquatics Divisions. A limited number of temporary and seasonal staff within these divisions are actively teaching lessons (a revenue generating activity) on a daily basis. If staff within these divisions calls out, other staff is required to pick up the workload. If no other staff is available, the activity (in some cases private or group lessons) may be canceled. For illustrative purposes I've highlighted several of the Parks & Rec divisions in yellow below to denote those which may lose revenue as a result of newly accrued time off. It is worth noting that the Parks & Rec Director and their Department admin officer both noted that finding replacement staff is not always a certainty.

Another example worth highlighting is HHS (non-Barron Center). These figures are almost entirely related to security staff at the Oxford Street and Family Shelters. If staff calls out, they are typically replaced by another employee working on straight time or over overtime. It is worth noting that the figures related to HHS (non-Barron Center) will likely change for 2018 due to increased security required at Oxford Street related to the new day shelter operations.

The total estimated impact across all Departments / Divisions is approximately \$107k and does not include any estimates related to potential lost revenue within the divisions highlighted in yellow. The figure below does not also include estimated additional workload required for existing staff (i.e. those who would pick up more work with a higher volume of people calling out of work, additional payroll workload on City payroll staff each individual department and in Finance, additional burden on Human Resources and Legal staff investigating any potential internal complaints etc.)

	<u>Number of Employees</u>	<u>Cost of Accrued Sick Time</u>	<u>Estimated Additional Staff Cost (if Applicable)</u>	<u>Potential For Additional Revenue Losses?</u>
City Clerk	175	\$ 1,190.98	\$ 1,190.98	No
Finance	1	\$ 247.23	\$ -	No
Parking	7	\$ 722.79	\$ 1,084.19	No
EcoDevo	2	\$ 2,818.66	\$ -	No
Police	3	\$ 355.42	\$ -	No
Permitting	1	\$ 159.40	\$ -	No
Public Works	7	\$ 1,505.55	\$ 1,505.55	No
Parks & Rec - Ice Arena	18	\$ 1,743.76	\$ 2,615.64	YES
Parks & Rec - Other	6	\$ 2,617.24	\$ 3,925.86	No
Parks & Rec - Public Assembly	88	\$ 8,889.56	\$ 13,334.34	No
Parks & Rec - Concessions	51	\$ 1,151.04	\$ 1,726.56	YES
Parks & Rec - Recreation	49	\$ 2,841.07	\$ 4,261.61	YES
Parks & Recreation - Aquatics	22	\$ 1,499.62	\$ 2,249.43	YES
Parks & Recreation - Riverside	53	\$ 10,861.65	\$ 13,577.06	YES
HHS (non-Barron Center)	33	\$ 7,510.50	\$ 9,388.13	No
HHS (Barron Center)	12	\$ 3,406.51	\$ 3,406.51	No
Library	6	\$ 1,082.03	\$ -	No
		\$ 48,603.01	\$ 58,265.85	TBD
<b>GRAND TOTAL</b>			<b>\$106,868.86</b>	

**Cost Category #2 – Increase in City of Portland payroll expenses as a result of new staff required to enforce the ordinance**

Another significant new expense related to the proposed paid sick leave ordinance is the new staff required to enforce the ordinance. During her presentation on May 8<sup>th</sup>, Associate Corporation Counsel Anne Torregrossa shared some very helpful information around staffing requirements within several other municipalities nationwide (see Section 5 of Appendix A, the *Paid Sick Time Ordinance Information* as presented by Associate Corporation Counsel at the May 8 meeting). Many of the “early adopters” of mandatory paid sick leave ordinances are much larger cities with significantly more resources than the City of Portland (i.e. San Francisco, Seattle, Minneapolis). However, several small and medium sized cities within California, Washington and New Jersey have also adopted local paid sick leave ordinances and have shared their staffing requirements / average investigations data.

Municipality	Responsible Department (new/existing)	Staff Requirements	Average investigations per year
San Francisco, CA	Office of Labor Standards Enforcement (existing)	5.5 FTE for paid sick time and minimum wage	33
Emeryville, CA	Economic Development and Housing Division (existing)	1 FTE plus two consultants	6
Trenton, NJ	Health Department (existing)	2 FTE	Few investigations dictated by lack of resources
Tacoma, WA	Employment Standards Office (new)	2.5 FTE for paid sick time and minimum wage	28
Seattle, WA	Office of Labor Standards (new)	12 FTE for paid sick time, minimum wage, wage theft, fair chance employment, and secure scheduling	50

Trenton, NJ has a similarly sized population (84k in Trenton compared to 67k in Portland) but noted that although they have 2 dedicated FTE they do not have adequate resources to conduct investigations into complaints received on their paid sick leave ordinance. Similar feedback was received from the City of Elizabeth, NJ (population 129k) who routes their complaints directly to the local courts. Tacoma, WA is another slightly larger comparable City who currently utilizes 2.5 FTE to support both their minimum wage ordinance and their paid sick leave ordinance.

As Associate Corporation Counsel has noted, the ordinance presents many challenges based on its intricacies and many questions which are difficult to answer (i.e. whether an employee took sick leave for a proper purpose, whether existing policies within the City meet the requirements of the ordinance etc.) I agree with her assessment that a new division of labor would be required for the City to adequately enforce the ordinance, and that one new investigator, one new staff support person, and one half time attorney would be required.

I took the Associate Corporation Counsel’s analysis one step further and assigned non-union position grades to each employee along with salary figures. The investigator would likely be a non-union grade 8, with estimated salary and benefits of \$83,462. The new support staff would likely be classified as a non-union grade 5, with estimated salary and benefits of \$63,330. The half time attorney would be classified as a non-union grade 13 with estimated salary and benefits of \$64,811. The total of these 2.5 FTE would trigger an increase to future City budgets of approximately \$211,603.

### **Cost Category #3 – Increase in other budgeted expenses as a result of required advertising and educational outreach effort**

The City could also incur costs advertising and educating the public on the ordinance. There would likely be no cost related to posters (for the Minimum Wage posters are simply posted on the City website for download). However, we would likely spend between \$5,000 and \$10,000 on a mailing / outreach campaign similar to mailings related to Minimum Wage, where the City incurs approximately \$5,000 each time there is a change. The proposed paid sick leave ordinance is more complex and each required mailing would likely cost in excess of the \$5,000 but is unlikely to exceed \$10,000.

[A custom designed website with educational information](#) would cost between \$5,000 and \$15,000 depending on level of detail desired. [The City of Minneapolis website](#) is one of the best and most informational of any I found during my review. The City could simply opt for a zero / minimal cost option of simply adding a web page onto the existing City site (this is what was done with [Minimum Wage](#)).

Finally, the City may incur some outside legal expenses during the final drafting of the ordinance, or during any potential amendments to the ordinance arising as a result of legal challenges. This figure is difficult to estimate at this early juncture of the proposal. The City incurred limited outside legal expenses during drafting and implementation of the Minimum Wage ordinance and again during subsequent amendments to the ordinance. The paid sick leave ordinance is significantly more complex and outside legal costs would likely be higher. For purposes of this initial cost document they are conservatively estimated to be in the \$15,000 - \$55,000 range.

### **Cost Category #4 – Pass on of costs related to the proposed ordinance from Portland based vendors we utilize**

Portland uses outside contractors for tens of millions of dollars of work each fiscal year. In the FY19 general fund budget alone, there are \$62M of contractual services with outside vendors. That figure does not include the \$34M of capital improvement plan work authorized in April 2018 (or any other CIP work from previous fiscal years which remains to be completed). My Purchasing staff has noted that during our “pre-bid” meetings with vendors, nearly every outside vendor notes that City specific bid requirements which result in increased costs to the vendor are simply passed along to the City as part of overall bid prices. This includes specific labor / wage requirements, bid timing requirements (i.e. the job must be done by a specified date) and would certainly include any costs related to the mandatory paid sick leave ordinance. The final cost increase in this category would depend on a variety of factors:

- 1) The number of City vendors who are Portland based; and
- 2) those vendors have an increased cost of doing business as a result of the proposed ordinance; and
- 3) those vendors pass along the increased ordinance related costs to the City of Portland.

Making the assumption that 10% of all vendors are Portland based and assuming 10% of that population would have a 1/30<sup>th</sup> increase in their cost of doing business (i.e. 1 hour of paid sick leave per 30 hours worked) there would be an increase on \$96M in contracts of approximately \$32,000.