



OFFICE OF THE CLERK/TREASURER

City of Burlington

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Memorandum

To: Mayor Miro Weinberger, Board of Finance, and City Council

City Department Heads

From: Bob Rusten Chief Administrative Officer

Date: April 21, 2015

Re: Livable Wage Rates for FY 2016

Pursuant to the City of Burlington Code of Ordinances, Chapter 21, Article VI, section 21-82(b), the livable wage rates for covered employers, including the City of Burlington, as of July 1, 2015, are \$13.95 per hour if the employer offers health insurance, or \$15.83 if the employer does not.

Attached you will find an analysis by Douglas Hoffer, who has calculated the livable wage rates based on the model in the City's ordinance. His findings have resulted in wage rates of \$13.95 (with health insurance) and \$15.27 (without health insurance). However, the City's 2013 ordinance provides that the model rates are not effective until they meet or exceed the 2010 rates; therefore, the rate for employers who offer health insurance increased by one penny, while those who do not will remain at the 2010 level of \$15.83.

This notice and the livable wage rate will be posted in City Hall, on the City's web page, circulated to City departments, provided to the designated accountability monitor, and available at the Clerk/Treasurer's Office. A copy of this notice will also be provided to covered employers who request individual notice and provide contact information.

To: Bob Rusten, Chief Administrative Officer, City of Burlington
From: Doug Hoffer
Date: 20 April 2015
Re: City livable wage

At your request, I have estimated the City's livable wage (LW) using the basic needs budget methodology approved by the legislature for the Joint Fiscal Office (JFO) and adjusted to reflect the City's benefit package.

The new LW for City employees is \$13.95, an increase of 0.9% from last year's \$13.82. The figure for contractors that don't provide health insurance is \$15.72, which is an increase of 2.9% from last year's \$15.27.

Here is a summary of the methodology used by the Joint Fiscal Office, along with comments about minor differences in the approach used by JFO and the City.

- Food: The USDA methodology for the cost of food for an individual begins with the cost for a family of four. To determine the cost for an individual in a different size family, one must add 20% for a single person household but only 10% for a two-person household. The JFO assumes a two-person household (as does the City) but further assumes that the individuals are a couple. In contrast, the City assumes the household is comprised of two single people sharing a two bedroom apartment. Therefore, we used the single person adjustment rather than the two person figure used by the JFO. This accounts for the modest difference between the two food estimates. In addition, the regional adjustment (from the Consumer Expenditure Survey, CEX) rose from 3.4% to 6.2% so the estimated overall cost of food rose 5.6%.
- Housing: This year, Chittenden County's Fair Market Rent for a two-bedroom apartment increased slightly from \$1,309 to \$1,328 (1.5%).
- Transportation: The original methodology was the product of the average miles driven by household size (from the most recent National Household Transportation Survey) and the IRS mileage reimbursement rate. In 2009, JFO began using AAA's adjusted IRS rate that is intended to reflect the estimated cost per mile at different levels of annual miles driven (i.e., amortizing fixed costs over more miles reduces the cost per mile). Using the single-person mileage figure from the

NHTS (12,827), the AAA figure rose slightly from \$0.479 per mile to \$0.481, resulting in an increase for transportation of less than one-half of one percent overall.

- Health Care:
 - The contribution by most City employees for health insurance remains 3.61% of pre-tax wages.
 - Out-of-pocket (OOP) costs: JFO now uses data from the Vermont Healthcare Claims Uniform Reporting and Evaluation System (VHCURES). The data is collected for the Green Mountain Care Board from all payers (i.e., insurance companies, Medicaid, and Medicare¹).
 - JFO's estimate of a livable wage for those without employer-assisted health care differs from the City's because (as noted above) JFO assumes the two adults are a couple so their premium and OOP costs are different than the sum of two single adults.
- Clothing & Household Expenses: Almost no change from last year.
- Telecommunications: As noted last year, JFO now uses a combination of the cost of basic wireless phone service (average for Verizon and AT&T) and a sub-category from the Consumer Expenditure Survey entitled "computer information services" intended to cover basic IT services necessary for work and / or job searches.²
- Personal: This category is based on the 1999 estimated expenditure of \$2.00 per day indexed to the CPI. It is now \$2.86 / day.
- Renter's Insurance: A modest policy covering furniture, clothing, electronics, personal possessions, etc. The figure is slightly different than that used by JFO because we use Smith, Bell & Thompson and JFO uses the Crowley Agency.
- Term life Insurance: As noted above, JFO assumes the two adults are a couple so life insurance is included in the budget. For Burlington, we assume the two adults in this household are single and have no children and, therefore, do not require life insurance.
- Savings: The assumption is that an individual should save 5% of pre-tax wages. City employees pay 3% of pre-tax pay and the City contribution takes them well beyond 5%.

¹ Since we assume the adults are age 20 – 50, we should probably exclude OOP VHCURES data for the elderly, but that would require considerable effort and expense.

² For computer information services, JFO used the figure for "all consumer units." We used the figure for a single person household, which was lower.

| Budget Categories | City Employee | | No Employer Assisted Health Care |
|----------------------------|-----------------|-----------------|----------------------------------|
| | 2014 | 2015 | |
| Food (moderate cost plan) | 339 | 358 | 358 |
| Housing (rent & utilities) | 655 | 664 | 664 |
| Transportation | 512 | 514 | 514 |
| Health Care | 99 | 98 | 231 |
| Dental Care | 4 | 4 | 51 |
| Clothing / Household | 129 | 131 | 131 |
| Telecommunications | 67 | 55 | 55 |
| Personal | 86 | 87 | 87 |
| Renter's Insurance | 11 | 11 | 11 |
| Term Life Insurance | 0 | 0 | 0 |
| Savings | 57 | 58 | 105 |
| Total Monthly Expenses | \$1,958 | \$1,979 | \$2,206 |
| Annual Expenses | \$23,498 | \$23,746 | \$26,472 |
| Federal & State Taxes | \$5,238 | \$5,265 | \$6,232 |
| Annual Income | \$28,736 | \$29,011 | \$32,704 |
| Hourly Livable Wage | \$13.82 | \$13.95 | \$15.72 |

| Tax calculations | | | |
|-----------------------|----------------|----------------|----------------|
| Standard Deduction | -6,100 | -6,200 | -6,200 |
| Personal Exemption(s) | -3,900 | -3,950 | -3,950 |
| Taxable Income | 18,734 | 18,863 | 22,554 |
| Federal Tax | 2,375 | 2,376 | 2,929 |
| State Tax | 665 | 670 | 801 |
| FICA / Medicare | 2,198 | 2,219 | 2,502 |
| Total tax | \$5,238 | \$5,265 | \$6,232 |

Sources

Food: USDA June 2014 (adjusted for the Northeast)

Housing: HUD FMR 2015

Transportation: 2009 NHTS (Vermont specific) mileage x 2013 IRS mileage reimbursement rate (\$0.575) adjusted using AAA cost per mile estimates.

Health Care & Dental: City benefits (3.61% of pre-tax pay for premium) plus Out of Pocket; non-employee premium data from VT Health Connect; OOP data from VTHCURES (via JFO).

Clothing / Household: CEX 2013 (latest available); Table 1400, Size of Consumer Unit

Telecommunications: Average of basic phone-only wireless charges from Verizon and AT&T, plus CEX figure for "computer information services."

Personal: 1999 \$2.00 per day indexed to the CPI.

Renter's Insurance: Smith Bell & Thompson

Term Life Insurance: Provided at no cost by the City.

Savings: City retirement = 3% of pre-tax pay.
3% of pre-tax pay.