



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: May 19, 2014

Re: Livable Wage Rates for FY 2015

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, 2014, are \$13.94 per hour if the employer provides 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 would have resulted in wage rates of \$13.82 (with health insurance)/\$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 rates remain at the 2010 levels.

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: 28 April 2014
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 ordinance now assumes that the household has two adults sharing housing costs in a two-bedroom apartment.

The new LW for City employees is \$13.82, an increase of 6.8% from last year's \$12.94. This growth is due primarily to a change in housing costs (see below).

The figure for contractors that don't provide health insurance is \$15.27, which is an increase of 6.9% from last year's \$14.29. The difference is attributable primarily to housing and health care costs (see below).

Here is a summary of the methodology used by the Joint Fiscal Office, along with comments about minor differences in the approach used here for Burlington.

- 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 (hence the one bedroom rent priced by JFO). 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.
- Housing: : As you know, last year the City of Burlington disputed the HUD Fair Market Rent (FMR) figure for Chittenden County, which HUD found had declined significantly from 2012 to 2013. HUD's subsequent analysis affirmed Burlington's challenge and resulted in an increase in the FMR for a two-bedroom unit from \$1,029 to \$1,280 for 2013 (reported in the Federal Register April 30, 2013). Had the corrected figure been used last year, the City's livable wage would have been almost a dollar higher. This year, Chittenden County's FMR increased slightly from \$1,280 to \$1,309.

- 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 an AAA's adjusted IRS rate that is intended to reflect the estimated cost per mile at different levels of annual miles driven (e.g., amortizing fixed costs over more miles reduces the cost per mile).
- Health Care:
 - The contribution by most City employees for health insurance remains 3.3% 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 Medicare). Since JFO did not calculate the livable wage this year, we used the CPI for medical care services to adjust the 2011 figure to 2013 (7.1%).
 - JFO no longer estimates a livable wage for those without employer-assisted health care. We used data from Vermont Health Connect. Specifically, we assumed a Silver plan and, using the online calculator, found that the monthly premium would be \$195 thanks to an estimated subsidy of \$220. To this we added out of pocket costs.
- Clothing & Household Expenses: The decline from last year reflects a 15% drop in expenditures for apparel and a 9% drop for housekeeping supplies.
- 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."

Note: For computer information services, JFO used the figure for "all consumer units." We used the figure for a single person household, which was lower.
- Personal: This category is based on the 1999 estimated expenditure of \$2.00 per day indexed to the CPI. It is now \$2.84 / day.
- Renter's Insurance: A modest policy covering furniture, clothing, electronics, personal possessions, etc.
- 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, have no need for 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%.

Budget Categories	City Employee		No Employer Assisted HC
	2013	2014	
Food (moderate cost plan)	349	339	339
Housing (rent & utilities)	515	655	655
Transportation	513	512	512
Health Care	86	99	233
Dental Care	10	4	11
Clothing / Household	143	129	129
Telecommunications	78	67	67
Personal	85	86	86
Renter's Insurance	11	11	11
Term Life Insurance	0	0	0
Savings	54	57	102
Total Monthly Expenses	\$1,842	\$1,958	\$2,144
Annual Expenses	\$22,100	\$23,498	\$25,723
Federal & State Taxes	\$4,807	\$5,238	\$6,031
Annual Income	\$26,907	\$28,736	\$31,754
Hourly Livable Wage	\$12.94	\$13.82	\$15.27
Tax calculations			
Standard Deduction	-5,950	-6,100	-6,100
Personal Exemption(s)	-3,800	-3,900	-3,900
Taxable Income	17,161	18,734	21,759
Federal Tax	2,139	2,375	2,829
State Tax	609	665	772
FICA / Medicare	2,059	2,198	2,430
Total	\$4,807	\$5,238	\$6,031

Sources

Food: USDA June 2013 (adjusted for the Northeast)

Housing: HUD FMR 2014

Transportation: 2009 NHTS (Vermont specific) mileage x 2013 IRS mileage reimbursement rate (\$0.56) adjusted using AAA cost per mile estimates.

Health Care & Dental: City benefits (3.3% 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 2012 (latest available); Table 4, 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.