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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Date Issued: April 20, 2009

IBA Report Number: 09-36

Housing Authority Date: April 21, 2009

Item Number: 2

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# SDHC Contracts for Temporary Employment Agency Services

## OVERVIEW

On April 21, 2009, the San Diego Housing Commission is requesting that the Housing Authority approve the following actions:

*Authorize the President/Chief Executive Officer or designee to negotiate and enter into a contract with both Kelly Services and Manpower of San Diego for temporary employment services with the following terms:*

- 1. Each contract term will begin March 1, 2009 for the duration of two (2) years with three (3) additional one (1) year options.*
- 2. The proposed combined expenditures for both temporary employment agencies will not exceed \$500,000 in any contract year.*

This item was previously heard at the March 24, 2009 meeting of the Housing Authority, at which time the Housing Authority raised a series of questions pertaining to the use of temporary employees. The purpose of this report is to provide additional information, as requested by the Housing Authority.

## FISCAL/POLICY DISCUSSION

The following is a summary of the questions posed to San Diego Housing Commission staff by the Housing Authority:

- 1. Questions regarding compliance with the San Diego Living Wage: What wages and benefits do the temporary employees receive? Are they paid a living wage and/or benefits? Is the SDHC in compliance with the San Diego Living Wage Ordinance?*
- 2. How many temporary employees have there been in the past? Specifically, can you provide records regarding past employees and their classification?*

3. *Can you calculate how much money you can save by hiring temporary staff vs. “beefing up” your core staff?*

In the motion, Councilmember Emerald requested for the Commission staff to return with additional information addressing the above questions, with the intent of a more comprehensive discussion on April 21, 2009.

### Living Wage Ordinance

The IBA contacted Purchasing Department staff tasked with Living Wage compliance and was informed that the City’s Living Wage Ordinance (LWO) does not apply to the SDHC, although the Commission is encouraged to enact a Living Wage Ordinance of its own. San Diego Municipal Code, §22.4205 of the City of San Diego Living Wage Ordinance states:

*City means the City of San Diego, its organizational subdivisions, agencies, offices, or boards, but does not include independent agencies, such as the Housing Authority, Redevelopment Agency, and the Retirement Board, each of which is encouraged to adopt its own living wage policy.*

Neither contract includes standard contract language regarding compliance with the Living Wage Ordinance and the Housing Commission is under no legal obligation to require compliance.

Both contracts offer a sampling and a range of hourly wages that temporary employees would be paid. Although the contracts only provide a range, Attachment #3 of the reissued Housing Authority Report 09-008 provides specific examples of three types of common temporary positions utilized in the past and corresponding wages that would be paid under the proposed Kelly and Manpower contracts. This attachment illustrates that a temporary employee filling one of the positions in the examples provided would earn above the current living wage rates, as required under the LWO. Starting July 1, 2009, the LWO hourly rate is \$11.00 cash wage + \$2.20 per hour in health benefits or \$13.20 per hour full cash wage. Housing Commission staff has confirmed to the IBA that the examples provided are representative of positions utilized in the past.

The Housing Commission does not pay its temporary workers any benefits.

### Past Use of Temporary Workers

Information provided by Housing Commission staff indicates that the proposed contracts anticipate the need for similar positions as in the past. The Housing Commission has provided to the IBA information on past temporary employees contracted under Apple One, a previous temporary employee provider, which indicates that similar job classifications are proposed to be used under the proposed contracts as in the past. Housing Commission staff has informed the IBA that the most commonly used past temporary classifications are:

- Housing Assistant
- Maintenance Technician

- Accountant
- Accounting Clerk

Additionally some recent short-term projects have included the use of temporary employees for data entry duties in the informational technology section.

These position classifications fall into four broad categories of possible employees, as outlined in the contracts. The proposed contracts offer a sampling of these “Service Categories” that are accompanied with a brief description providing “a broad and general outline” of the kind of tasks these positions perform. The categories and related duties are:

- *Administrative office support* which completes duties such as opening and routing mail, providing customer service at counters, drafting general correspondence, preparing minutes, among others.
- *Maintenance* tasks include: building and grounds maintenance, minor equipment repair, light mechanical and custodial work, carpentry, painting and plumbing.
- *Accounting* staff may complete tasks such as reconciling accounting records, preparing accounting budget and reports, reviewing and verifying payroll documents and compliance documents for completeness, correct pay rate and reasonableness, producing work hour summary reports, among others.
- *Technical and IT Technology* staff may perform tasks such as web design and maintenance, computer hardware and software installation and various repairs.

### Past Temporary Contracts

Housing Commission staff provided to the IBA information on past use of temporary employees (Attachment A). Staff has indicated that most past temporary employees were used “at least two months or more on average,” typically as assistance for short-term projects, absences due to maternity leave, throughout a period of recruitment, but not for vacations or short-term leave. Following is an overview of past temporary employee contracts, as provided by Housing Commission staff and a FTE equivalent, as calculated by the IBA:

#### **FY 2006**

- Total Amount Spent: \$500,083
- Number of Temporary Employees: n/a
- FTE Equivalent: 11.1 positions (assuming average salary of \$45,000)

#### **FY 2007**

- Total Amount Spent: \$ 509,988
- Number of Temporary Employees: n/a
- FTE Equivalent: 11.3 positions (assuming average salary of \$45,000)

#### **FY 2008**

- Total Amount Spent: \$813,682 (\$528,325.43 Apple One)
- Temporary Employees (Apple One only): 53

- FTE Equivalent (Apple One only): 11.7 positions (assuming average salary of \$45,000)

**FY 2009 (Year-to-date) Total FTE: 243.50**

- Total Amount Spent: \$387,769 (\$213,909.35 Apple One only)
- Temporary Employees (Apple One only): 21
- FTE Equivalent (Apple One only): 4.75 positions (assuming average salary of \$45,000)

**Estimated Savings or Benefits**

In HAR 09-008 Attachment #3, the SDHC shows a comparison between wages paid by the Commission for temporary vs. full-time permanent workers with benefits. According to the examples provided for commonly used Kelly and Manpower temporary employees:

- *Housing Assistant II* temporary employee would earn the equivalent of approximately \$49,000 and \$51,000 annually
- *Maintenance Technician II* temporary employee would earn the equivalent of approximately \$46,000 and \$52,000 annually
- *Office Assistant II* temporary employees would earn the equivalent of \$39,000 to \$40,000 annually

The above compensation includes the temporary agencies' mark-up rates, which range from 34% to 58% of hourly compensation, as noted on Attachment #3.

The total annual compensation for full-time SDHC employees is comparable, but includes employee benefits, a pension plan and a 457 Plan.

A regular SDHC full-time employee in these same above positions would earn the following salary, including benefits.

- *Housing Assistant II* - \$49,847
- *Maintenance Technician II* - \$45,921
- *Office Assistant II* - \$40,736

There are no savings indicated, however the potential benefits to the SDHC of using temporary employees include increased productivity and/or a continuity of service during the time needed to permanently fill a position, or to save a position during an employee's temporary medical leave.

**CONCLUSION**

Under the City's Municipal Code, the Housing Commission is not required to comply with the Living Wage Ordinance, and the proposed agreements with the temporary employment agencies do not refer to or require compliance with the LWO.

The Housing Commission makes regular use of temporary employees to provide for work continuation during extended absences of its full-time staff. The cost of hiring temporary employees versus permanent full-time FTEs is comparable, and annual expenditures for this purpose have ranged from \$500,000 to \$800,000, and appear to have declined.

The annual contracts, if approved as requested, will be for an amount not to exceed \$250,000 for both Kelly and Manpower Services, for a possible total of \$500,000. These contracts will be utilized only on an as-needed basis for short term periods as vacancies occur in critical workload areas. Given this information, the IBA is supportive of the requested actions.

The Housing Authority may want to request periodic status reports showing: a listing of all temporary employees, all temporary employee classifications, actual pay rates, hours and dates worked, and total amount billed to date.

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