



Date: August 18, 2015

To: City Manager for Council Action

From: Deputy City Manager

Subject: Pass to Print an Ordinance Establishing the City's Local Minimum Wage at \$11.00 an hour effective January 1, 2016

BACKGROUND

The California minimum wage remains at \$9.00 until January 1, 2016, when it rises to \$10.00 an hour. Senate Bill 3 will establish the state minimum wage to \$11.00 in 2016, and \$13.00 in 2017 and then automatically adjust based on California's Consumer Price Index for all Urban Consumers. SB 3 has passed Senate; last action was on July 8, 2015 when the bill was referred to the Assembly Appropriations Committee before it goes to the full Assembly for a vote. Staff will continue to monitor this legislation.

Staff had conducted research and found that within Santa Clara County the cities of Sunnyvale, San Jose and Mountain View have all implemented virtually similar local minimum wage ordinances within the past two years. These cities have adopted ordinances that require employers to pay a minimum wage above the state minimum wage requirement that adjusts each year on January 1, based on cost of living increases, if any, based on the region's Consumer Price Index. For example, San Jose's minimum wage went from \$10.00 an hour in 2014 to \$10.30 an hour in 2015. Like Santa Clara, Palo Alto and Campbell are exploring a minimum wage increase similar to those adopted by the three cities mentioned above.

EXECUTIVE SUMMARY

On May 5, 2015, the Council held a study session to evaluate the process for raising the City of Santa Clara's minimum wage to the level of surrounding cities like Sunnyvale and San Jose. The Council adopted this item as a strategic objective as part of the City's 2015-2017 goals. The purpose of raising the minimum wage is to support the quality of life in the City's community.

Council directed staff to conduct outreach meetings to stakeholders, including large and small business owners, employees and the general public. Attached is a proposed draft Minimum Wage Ordinance which sets the wage at \$11.00 per hour with final adoption on September 22, 2015 and effective on January 1, 2016. The minimum wage would then increase annually based on the increase in the cost of living, if any, based on the region's Consumer Price Index (Urban Wage Earners and Clerical Workers, U.S. City Average for All Items).

Staff, in collaboration with the Santa Clara Chamber of Commerce, engaged community input on the proposed Minimum Wage Ordinance through public meetings, social media and online surveys.

To date, the following measures have been taken:

- A new page, <http://santaclaraca.gov/minimumwage>, has been created on the City website titled "Minimum Wage". This page provides information about the ordinance, links to upcoming meetings, online surveys, relevant updates and documentation.
- A new email has been set up, minimumwage@santaclaraca.gov, for individuals to submit questions, comments and/or concerns about the ordinance.

- Two online surveys with questions tailored to gather input related to minimum wage levels, regional consistency, and timeline were created and conducted. Copies of the survey results are attached to this report for informational purposes as the number of participants did not amount to an appropriate amount for statistical purposes.
- Social media blasts
- News items published on City website with links to surveys.
- A total of 8 meetings were scheduled: Three (3) meetings were held by staff in the Council Chambers and five (5) meetings were hosted by the Santa Clara Chamber of Commerce at locations throughout the City.

Approximately 30 individuals attended the community meetings representing small and large business owners, employees and the general public. All participants had an opportunity to express opinions on the policy topics of the draft Minimum Wage Ordinance and regional approach. In summary, feedback centered on:

- High cost of living, high cost of housing, income inequalities in Silicon Valley.
- Impacts to businesses as it relates to salary and benefit cost, such as unemployment insurance, workers compensation costs and payroll taxes that would add 30%-50% to costs. The increased cost would be passed through to customers with an increase in product or service prices. Loss of incentive for entry level positions to advance within a company.
- A regional consistency approach was preferred, as an inconsistent minimum wage rate creates serious problems for jurisdictions, locations and employers and can affect a city's economic competitiveness.
- Generally, the \$11.00 was not opposed during the outreach meetings; concerns were raised if hourly wage was to be higher.
- Impact to people that reach a certain income level could lose food stamps and medical aide support.
- Considerations for exemptions for youth, restaurant wait staff, and non-profit organizations within the ordinance were discussed, although these three issues have been considered by other cities, none of these exemptions have been adopted by Sunnyvale, Mountain View or San Jose.
- Passing a local ordinance at \$11.00 an hour effective January 1, 2016 could be superseded if the State passes Senate Bill 3, which would establish the state minimum wage to \$11.00 in 2016, and \$13.00 in 2017 and then automatically adjust based on California's Consumer Price Index for all Urban Consumers.

Other recent minimum wage developments in the nation during the month of July 2015 include: Los Angeles County Board of Supervisors voted to raise the minimum wage to \$15.00 by 2020, matching the Los Angeles City Council's minimum wage increase earlier this year. The University of California Regents implemented the "Fair Wage/Fair Work Plan" to pay employees \$15.00 by 2017. Employees must work a minimum of 20 hours per week. The New York Governor's panel recommended to Labor Commissioner to raise minimum wage for employees of fast food restaurants to \$15 by 2018. Wages would first be raised in New York City and then the remainder of the state.

The ordinance is modeled after the City of Sunnyvale's ordinance. A regional effort to achieve a minimum wage of \$15.00 an hour by July 1, 2018 is underway by the cities of Sunnyvale and Mountain View. At their June 11, 2015 meeting, the Santa Clara County Cities Association encouraged jurisdictions to establish minimum wage ordinances that promote regional consistency within Santa Clara County. A copy of their correspondence is attached.

Attached is the joint Sunnyvale and Mountain View July 27, 2015 news release for Community Feedback Wanted for Regional Minimum Wage meetings scheduled in September for further background. Mountain View and Sunnyvale have inquired if the City of Santa Clara would be interested in joining the regional effort. Staff will continue to monitor the outreach efforts related to the regional approach.

Based on the feedback and input from the outreach efforts staff is recommending the pass to print of the City-wide ordinance to set a minimum wage to a hourly rate of \$11.00 effective January 1, 2016, to prevent inflation from eroding its value, the hourly rate is to be adjusted by the increase annually based on the increase in the cost of living, if any, based on the region's Consumer Price Index (Urban Wage Earners and Clerical Workers, U.S. City Average for All Items).

ADVANTAGES AND DISADVANTAGES OF ISSUE

The advantages and disadvantages are many on this topic. The recap of the feedback from the community input addresses the ones discussed. The advantage of adopting a minimum wage ordinance is that it will promote and support the quality of life in the local community.

ECONOMIC/FISCAL IMPACT

The Minimum Wage Ordinance would create a minimum wage program similar to the surrounding cities. In order for the City to implement and administer the ordinance, consideration should be given for cost related to investigation of complaints and resolution. Like other cities that have adopted similar ordinances, the City of Santa Clara does not have the staff expertise or resources to handle investigation of complaints and resolution. Both Sunnyvale and Mountain View have contracted with the City of San Jose's Office of Equality Assurance to handle these services with contracts of up to \$20,000 with the City of San Jose. The enforcement model is complaint-driven with fees only paid when a complaint is filed and investigated. Based on the experience of these cities only two complaints have been filed and investigated and fees paid have been minimal. If Council decides to adopt the ordinance staff can return with a proposal for consideration.

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RECOMMENDATION

That the Council pass to print an Ordinance establishing the City's local minimum wage at \$11.00 an hour effective January 1, 2016 to be adjusted by the increase annually based on the increase in the cost of living, if any, based on the region's Consumer Price Index (Urban Wage Earners and Clerical Workers, U.S. City Average for All Items).

Tamera Haas
Deputy City Manager

APPROVED:

Julio J. Fuentes
City Manager

Documents Related to this Report:

- 1) *Draft Local Minimum Wage Ordinance*
- 2) *Business Owner and Manager Survey Results*
- 3) *Employee and Individuals Survey Results*
- 4) *Cities Association: Recommendation on Minimum Wage*
- 5) *July 27, 2015 New Release from Sunnyvale and Mountain View*