



City of San Leandro

Meeting Date: July 5, 2016

Staff Report

File Number: 16-330 **Agenda Section:** ACTION ITEMS

Agenda Number: 10.A.

TO: City Council

FROM: Chris Zapata
City Manager

BY: City Council

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report for Adoption of a Local Minimum Wage Ordinance

SUMMARY AND RECOMMENDATIONS

Per the direction provided by the City Council at its June 13 work session, staff recommends the City Council consider the attached local minimum wage ordinance, to be effective July 1, 2017

BACKGROUND & ANALYSIS

A San Leandro minimum wage ordinance went through extensive discussion by the City Council Finance Committee over the course of seven monthly meetings beginning in October, 2015. A range of studies and analyses were presented to the Finance Committee and comments were provided by the public. A summary of the comments, and analyses presented to the Finance Committee was provided to the City Council at its June 13 2016 regular meeting as part of a publicly-noticed work session dedicated entirely to the topic of minimum wage. Following public testimony and discussion by the Council at that work session, the City Council directed staff to develop and present for the Council's consideration a local ordinance that would accelerate implementation of the state's new minimum wage requirements, as outlined below.

Per the direction of the Council, the proposed ordinance would require that, beginning July 1, 2017, all employers in the City of San Leandro (regardless of the number of employees) must pay their employees a minimum wage of no less than \$12.00 per hour. The minimum wage will then increase by one dollar per hour on July 1st of each subsequent year until achieving an hourly rate of \$15.00 per hour on July 1, 2020, as outlined in the below schedule:

<u>Minimum Wage</u>	<u>Effective Date</u>
\$12/hour	July 1, 2017
\$13/hour	July 1, 2018
\$14/hour	July 1, 2019

\$15/hour

July 1, 2020

It should also be noted that should the statewide minimum wage for businesses of any size eventually meet or exceed the above thresholds, the local wage requirements outlined in the proposed ordinance will automatically sunset. Per the recently enacted statewide minimum wage law, all employers in California (regardless of size) are expected to fully achieve a \$15 per hour wage by January 1, 2023, unless the Governor delays the implementation schedule by initiating the “off-ramp” provisions in the adopted legislation.

Enforcement & Penalties for Violation

City staff recommends that enforcement of the ordinance be handled on a complaint-driven basis. The City has never before regulated wages on such a comprehensive and universal manner, so it is currently unknown what level of staff support or other General Fund costs will be required to ensure compliance. For comparison purposes, the City of Berkeley has a full-time staff person who handles enforcement of its local minimum wage ordinance. The City of Emeryville contracts with a part time staff person to provide similar enforcement work for its own minimum wage law. As such, staff recommends conducting further analysis over the year ahead and building into the FY 2017-18 budget sufficient resources to handle the anticipated implementation and monitoring costs.

Should a local business be found out of compliance with the ordinance, the business would be required to pay back wages unlawfully withheld or underpaid, and the payment of a civil penalty of \$25.00 to each employee or person whose rights under this Chapter were violated for each day or portion thereof that the violation occurred or continued, along with fines imposed pursuant to other provisions outlined in the attached draft ordinance or as allowed by state law.

Anticipated Impact on City Workforce & Budget

As of the date of this staff report, there are a number of part-time, non-permanent employees in the City’s Recreation & Human Services Department and Library Department who make less than the proposed minimum wage. Additionally, it is important to note that increasing the wage of these classifications will cause compaction to other classifications, thereby requiring an increase in the hourly rate of pay for Recreation Leader, Recreation Specialist, and Office Assistant positions. Under current staffing levels, there are approximately 130 employees in these classifications who would be impacted either directly or through compaction (with the majority of the impact resulting from compaction). The precise nature of wage increases resulting from compaction have not been determined at this time, so the projected fiscal impacts are subject to change.

Preliminarily, staff estimates the cumulative impact of these changes will result in the following increased costs to the General Fund, broken out by fiscal year. These estimated costs were calculated with a presumption that the new statewide minimum wage requirements will be implemented according to the schedule codified by state law. Therefore, the costs shown below are over-and-above the costs the City will incur as a result of the State minimum wage. Should the Governor ultimately effectuate any of the off-ramp provisions allowed by that law (thereby delaying the implementation timeframe of the statewide minimum wage), the relative costs to the City of implementing a local ordinance would commensurately increase during the initial years of implementation.

<u>Implementation Year:</u>	<u>Estimated General Fund Cost:</u>
Year 1 (FY 2017-18)	\$100,000
Year 2 (FY 2018-19)	\$120,000
Year 3 (FY 2019-20)	\$120,000
Year 4 (FY 2020-21)	\$120,000

Fiscal Impacts:

In Fiscal Year 2017-18, staff estimates that implementation of the proposed ordinance would result in approximately \$100,000 in General Funds costs. For Fiscal Years 2018-19, 2019-20, and 2020-21, staff estimates the General Fund costs would be approximately \$120,000 each year. Implementation, monitoring and enforcement of the proposed ordinance could result in additional General Fund costs that will be analyzed over the year ahead and presented to Council prior to the effective date of the ordinance on July 1, 2017.

ATTACHMENTS

- Draft Minimum Wage Ordinance

PREPARED BY: Eric Engelbart, Deputy City Manager, City Manager's Office