



City of San Leandro

Meeting Date: July 18, 2016

Staff Report

File Number: 16-378

Agenda Section: ACTION ITEMS

Agenda Number: 10.A

TO: City Council

FROM: Chris Zapata
City Manager

BY: City Council

FINANCE REVIEW: Not Applicable

TITLE: Staff Report for Ordinance Adopting a Minimum Wage in San Leandro

SUMMARY AND RECOMMENDATIONS

Per the direction provided by the City Council at the July 5, 2016 meeting, staff recommends the City Council consider the attached local minimum wage ordinance, to be effective July 1, 2017

BACKGROUND & ANALYSIS

A potential 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 wide range of studies and analyses were presented to the City Council Finance Committee and comments were provided by members of the public, community stakeholder groups, and committee members. A summary of the comments and analyses presented to the City Council Finance Committee was provided to the City Council at the June 13, 2016 publicly-noticed work session that was dedicated to discussing the possibility of a San Leandro minimum wage ordinance. During 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 at its next regular meeting on July 5, 2016. Following public testimony and discussion by the Council at the meeting, the City Council directed staff to make the following substantive revisions to the draft ordinance:

1. Include 'small and large employer' definitions, similar to how the statewide minimum wage law is crafted, and
2. Include a provision that grants small employers an additional year to implement the wage increases that are scheduled to begin for large employers on July 1, 2017

Per the direction of the Council, the proposed draft ordinance requires that, beginning July 1,

2017, large employers in the City of San Leandro must pay employees a minimum wage of no less than \$12.00 per hour. The minimum wage for large employers 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. Small employers will be allowed one additional year to implement all increases subsequent to July 1, 2017, as detailed in the following schedule:

<u>Minimum Wage</u>	<u>Large Employer Effective Date</u>	<u>Small Employer Effective Date</u>
\$12/hour	July 1, 2017	July 1, 2018
\$13/hour	July 1, 2018	July 1, 2019
\$14/hour	July 1, 2019	July 1, 2020
\$15/hour	July 1, 2020	July 1, 2021

“Small Employer” is defined as any person, corporate officers or executives, who hold a business license in San Leandro and who employs or exercises control over the wages, hours or working conditions of 25 or less employees.

“Large Employer” is defined as any person, corporate officers or executives who hold a business license in San Leandro who employs or exercises control over the wages, hours or working conditions of 26 or more employees, or who operate more than 10 establishments globally.

It should also be noted that if 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 precisely what level of staff support will be required to ensure compliance. For general estimation purposes, staff forecasts such enforcement costs could be approximately \$100,000 in the first year of implementation, which would decrease in subsequent years thereafter (related to an information campaign, continuing education, and some enforcement). For comparison purposes, the City of Berkeley currently has a full-time staff person to enforce 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.

Impact on Mechanics at Local Auto Dealerships

At previous Finance Committee and City Council meetings to discuss the proposed minimum wage, the owner of a local auto dealership expressed concern that the proposed ordinance would impact mechanics who are guaranteed wages of two times the minimum wage rate. Based on subsequent information provided after those meetings, it is now the understanding of City staff that a local San Leandro minimum wage will, in fact, not have any impact in these situations.

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 causing an increase in the hourly rate of pay for the Recreation Leader, Recreation Specialist, and Office Assistant classifications. 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 Statewide minimum wage.

<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 and Budget Impacts:

In Fiscal Year 2017-18, staff estimates that salary increases to achieve compliance with the proposed ordinance would result in approximately \$100,000 in General Fund costs. For Fiscal Years 2018-19, 2019-20, and 2020-21, staff estimates these 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 in the order of approximately \$100,000 in the initial year of implementation, which would decline in subsequent years of implementation. Staff will further analyze these costs over the year ahead and report back to Council with additional information at a subsequent meeting. Estimated implementation costs will be considered during the next biennial budget process for 2017-18 and 2018-19.

ATTACHMENTS

- Draft Minimum Wage Ordinance

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

2678401.1



City of San Leandro

Meeting Date: July 18, 2016

Ordinance

File Number: 16-379

Agenda Section: ACTION ITEMS

Agenda Number:

TO: City Council

FROM: Chris Zapata
City Manager

BY: City Council

FINANCE REVIEW: Not Applicable

TITLE: ORDINANCE Adopting a Minimum Wage in San Leandro (implements a local minimum wage that will reach \$15/hour sooner than the recently adopted State of California legislation)

The Council of the City of San Leandro does ORDAIN as follows:

Section 1. That a new Chapter 4-35 is hereby added to the San Leandro Municipal Code to read as follows:

Chapter 4-35 MINIMUM WAGE

Sections

- 4-35-100 Title and Purpose.
- 4-35-200 Authority.
- 4-35-300 Definitions.
- 4-35-400 Minimum Wage.
- 4-35-450 Effectiveness of Ordinance if State Minimum Wage Becomes Greater than City's
- 4-35-500 Waiver Through Collective Bargaining.
- 4-35-600 Notice, Posting and Payroll Records.
- 4-35-700 Retaliation Prohibited.
- 4-35-800 Implementation
- 4-35-900 Enforcement
- 4-35-1000 Relationship to Other Requirements.
- 4-35-1100 Application of Minimum Wage to Welfare-To-Work Programs.
- 4-35-1200 Fees.
- 4-35-1300 Employee Exemptions

4-35-100 Title and Purpose.

This ordinance shall be known as the "Minimum Wage Ordinance."

The purpose of this ordinance is to protect the public health, safety and welfare. It does this by requiring that employees are compensated by their employers or respective subcontractors in such a manner as to enable and facilitate their individual self-reliance within the City of San Leandro.

4-35-200 Authority.

This Chapter is adopted pursuant to the powers vested in the City of San Leandro under the laws and Constitution of the State of California but not limited to, the police powers vested in the City pursuant to Article XI, Section 7 of the California Constitution and Section 1205(b) of the California Labor Code.

4-35-300 Definitions.

The following terms shall have the following meanings:

- A. "City" shall mean the City of San Leandro.
- B. "Department" shall mean the Department of Finance or other City department or agency as the City Manager may designate.
- C. "Employee" shall mean any person who:
 - 1. In a calendar week performs at least two (2) hours of work for an Employer within the geographic boundaries of the City; and
 - 2. Qualifies as an employee entitled to payment of a minimum wage from any employer under the California minimum wage law, as provided under Section 1197 of the California Labor Code and wage orders published by the California Industrial Welfare Commission, or is a participant in a Welfare-to-Work Program.
- D. "Small Employer" shall mean any person, including corporate officers or executives, as defined in Section 18 of the California Labor Code, receiving or holding a business license through Chapter 2-2 of the San Leandro Municipal Code who directly or indirectly through any other person, including through the services of a temporary employment agency, staffing agency, subcontractor or similar entity, employs or exercises control over the wages, hours or working conditions of 25 or less Employees.
- "Large Employer" shall mean any person, including corporate officers or executives, as defined in Section 18 of the California Labor Code, receiving or holding a business license through Chapter 2-2 of the San Leandro Municipal Code, who directly or indirectly through any other person, including through the services of a temporary employment agency, staffing agency, subcontractor or similar entity, employs or exercises control over the wages, hours or working conditions of 26 or more Employees, or who have more than 10 establishments globally, as determined by the Finance Director, which includes but is not limited to franchises as that term is defined by California Corporations Code section 31005.
- Unless otherwise noted, the term "Employers" shall mean Large Employers and Small Employers, collectively.
- E. "Minimum Wage" shall have the meaning set forth in Section 4-35-400 of this Chapter.
- F. "Welfare-to-Work Program" shall mean the CalWORKS Program, County Adult Assistance Program (CAAP) that includes the Personal Assisted Employment Services (PAES) Program, and General Assistance Program, and any successor programs that are substantially similar to them.

4-35-400 Minimum Wage.

- A. Small and Large Employers shall pay Employees no less than the Minimum Wage set forth in this Section for each hour worked within the geographic boundaries of the City.

B. Beginning July 1, 2017, the Minimum Wage for Large Employers shall be an hourly rate of \$12.00. On July 1, 2018, the Minimum Wage for Large Employers shall increase to an hourly rate of \$13.00. On July 1, 2018, the Minimum Wage for Small Employers shall be \$12.00. On July 1, 2019, the Minimum Wage for Large Employers shall increase to an hourly rate of \$14.00. On July 1, 2019, the Minimum Wage for Small Employers shall increase to an hourly rate of \$13.00. On July 1, 2020, the Minimum Wage for Large Employers shall increase to an hourly rate of \$15.00. On July 1, 2020, the Minimum Wage for Small Employers shall increase to an hourly rate of \$14.00. On July 1, 2021, the Minimum Wage for Small Employers shall increase to an hourly rate of \$15.00.

C. A violation for failing to pay the Minimum Wage shall be deemed to continue from the date immediately following the date that the wages were due and payable as provided in Part 1 (commencing with Section 200) of Division 2 of the California Labor Code, to the date immediately preceding the date the wages are paid in full.

4-35-450 Effectiveness of Ordinance if State Minimum Wage Becomes Greater than City's

All requirements and provisions of this Chapter shall be preempted and ineffective if the State minimum wage is or becomes greater than the Minimum Wage established by this Chapter.

4-35-500 Waiver Through Collective Bargaining.

To the extent required by federal law, all or any portion of the applicable requirements of this Chapter may be waived in a bona fide collective bargaining agreement, provided that such waiver is explicitly set forth in such agreement in clear and unambiguous terms.

4-35-600 Notice, Posting and Payroll Records.

A. Except for the first increase to take effect on July 1, 2017 for Large Employers, and except for the first increase to take effect for Small Employers on July 1, 2018 per Section 4-35-400, on or by January 1 of each year, the Department shall publish and make available to Employers a bulletin announcing the adjusted Minimum Wage rate, which shall take effect on July 1 of the following year. In conjunction with this bulletin, the Department shall by July 1 of each year publish and make available to Employers, in the top five languages spoken by residents of the City as determined by the City Manager or his designee after reviewing the most recent United States Census Data, a notice suitable for posting by Employers in the workplace informing Employees of the current Minimum Wage rate and of their rights under this Chapter.

B. Every Employer shall post in a conspicuous place at any workplace or job site in the City where any Employee works the notice published each year by the Department informing Employees of the current Minimum Wage rate and of their rights under this Chapter. Every Employer shall post such notices in the top five languages spoken by residents of the City as determined by the City Manager or his designee after reviewing the most recent United States Census Data. Every Employer shall also provide each Employee at the time of hire with the Employer's name, address, and telephone number in writing. Failure to post such notice shall render the Employer subject to administrative citation, pursuant to Section 900, Subsection A, of this Chapter.

C. Upon commencing payment of the Minimum Wage, Employers shall retain payroll records pertaining to Employees for a period of four years, and shall allow the City access to such records, with appropriate notice and at a mutually agreeable time, to monitor compliance with the requirements of this Chapter. Where an Employer does not maintain or retain

adequate records documenting wages paid or does not allow the City reasonable access to such records, the Employee's account of how much he or she was paid shall be presumed to be accurate, absent clear and convincing evidence otherwise. Furthermore, failure to maintain such records or to allow the City reasonable access shall render the Employer subject to administrative citation, pursuant to Section 900, Subsection A, of this Chapter.

D. If a violation of this Chapter has been finally determined, the City shall require the Employer to post public notice of the Employer's failure to comply in a form determined by the City. Failure to post such notice shall render the Employer subject to administrative citation, pursuant to Section 900, Subsection A, of this Chapter.

4-35-700 Retaliation Prohibited.

It shall be unlawful for an Employer or any other party to discriminate in any manner or take any adverse action, including action relating to any term, condition or privilege of employment, against any person in retaliation for exercising rights protected under this Chapter. Rights protected under this Chapter include, but are not limited to: the right to file a complaint or inform any person about any party's alleged noncompliance with this Chapter; and the right to inform any person of his or her potential rights under this Chapter or otherwise educate any person about this Chapter or to assist him or her in asserting such rights. Protections of this Chapter shall apply to any person who mistakenly, but in good faith, alleges noncompliance with this Chapter. Taking adverse action against a person within 90 days of the person's exercise of rights protected under this Chapter shall raise a rebuttable presumption of having done so in retaliation for the exercise of such rights. Failure to comply with this provision shall render the Employer subject to administrative citation, pursuant to Section 900, Subsection A, of this Chapter.

4-35-800 Implementation

A. Administrative Procedures. The Department is authorized to coordinate implementation and enforcement of this Chapter and may promulgate appropriate administrative procedures for such purposes. Any administrative procedures promulgated by the Department shall have the force and effect of law and may be relied on by Employers, Employees and other parties to determine their rights and responsibilities under this Chapter. Any administrative procedures may establish procedures for ensuring fair, efficient and cost-effective implementation of this Chapter, including supplementary procedures for helping to inform Employees of their rights under this Chapter, for monitoring Employer compliance with this Chapter, and for providing administrative hearings to determine whether an Employer or other person has violated the requirements of this Chapter.

B. Reporting Violations. An Employee or any other person may report to the Department in writing any suspected violation of this Chapter. The Department shall encourage reporting pursuant to this subsection by keeping confidential, to the maximum extent permitted by applicable laws, the name and other identifying information of the Employee or person reporting the violation. Provided, however, that with the consent of such person or his or her legal guardian, the Department may disclose his or her name and identifying information as necessary to enforce this Chapter or other employee protection laws. In order to further encourage reporting by Employees, if the Department notifies an Employer that the Department is investigating a complaint, the Department shall require the Employer to post or otherwise notify its Employees that the Department is conducting an investigation, using a form provided by the Department. Failure to post such notice shall render the Employer subject to administrative citation, pursuant to Section 900, Subsection A, of this Chapter.

C. Investigation. The Department shall be responsible for investigating any possible

violations of this Chapter by an Employer or other person. The Department shall have the authority to inspect workplaces, interview persons and request the City Attorney to subpoena books, papers, records, or other items relevant to the enforcement of this Chapter.

D. Informal Resolution. The Department shall make every effort to resolve complaints informally and in a timely manner.

4-35-900 Enforcement

A. Where prompt compliance is not forthcoming, the City and the Department shall take any appropriate enforcement action to secure compliance, including but not limited to the following:

1. The City may issue an Administrative Citation in accordance with the procedures provided in Chapter 1-12 of the San Leandro Municipal Code. The amount of the fine for each Administrative Citation issued shall vary based on the provision of this Chapter being violated, as specified below:

a. A fine of five hundred dollars(\$500.00) may be assessed for retaliation by an Employer against an Employee for exercising rights protected under this Chapter for each Employee retaliated against.

b. A fine of two hundred fifty dollars (\$250.00) may be assessed for any of the following violations of this Chapter:

- i. Failure to post notice of the Minimum Wage rate
- ii. Failure to provide notice of investigation to Employee
- iii. Failure to maintain payroll records for four years
- iv. Failure to allow the City access to payroll records

c. A fine equal to the total amount of appropriate remedies, pursuant to subsection E of this section. Any and all money collected in this way that is the rightful property of an Employee, such as back wages, interest, and civil penalty payments, shall be disbursed by the City in a prompt manner.

2. Alternatively, the City may pursue administrative remedies in accordance with the following procedures:

a. Whenever the City determines that a violation of any provision of this Chapter is occurring or has occurred, the City may issue a written compliance order to the Employer responsible for the violation.

b. A compliance order issued pursuant to this Chapter shall contain the following information:

- i. The date and location of the violation;
- ii. A description of the violation;
- iii. The actions required to correct the violation;
- iv. The time period after which administrative penalties will begin to accrue if

compliance with the order has not been achieved;

v. Either a copy of this Chapter or an explanation of the consequences of noncompliance with this Chapter and a description of the hearing procedure and appeal process;

vi. A warning that the compliance order shall become final unless a written request for hearing before the City is received within seven calendar days of receipt of the compliance order.

c. Following receipt of a timely request for a hearing, the City shall provide the Employer responsible for the violation with a hearing. During the pendency of the hearing and any subsequent appellate process, the City will not enforce any aspect of the compliance order.

3. The City may initiate a civil action for injunctive relief and damages and civil penalties in a court of competent jurisdiction.

B. Any person aggrieved by a violation of this Chapter may bring a civil action in a court of competent jurisdiction against the Employer or other person violating this Chapter and, upon prevailing, shall be awarded reasonable attorneys' fees and costs and shall be entitled to such legal or equitable relief as may be appropriate to remedy the violation including, without limitation, the payment of any back wages unlawfully withheld, the payment of an additional sum as a civil penalty in the amount of \$25.00 to each Employee or person whose rights under this Chapter were violated for each day that the violation occurred or continued, reinstatement in employment and/or injunctive relief. Provided, however, that any person or entity enforcing this Chapter on behalf of the public as provided for under applicable state law shall, upon prevailing, be entitled only to equitable, injunctive or restitutionary relief to employees, and reasonable attorneys' fees and costs.

C. This Section shall not be construed to limit an Employee's right to bring legal action for a violation of any other laws concerning wages, hours, or other standards or rights nor shall exhaustion of remedies under this Chapter be a prerequisite to the assertion of any right.

D. Except where prohibited by state or federal law, City agencies or departments may revoke or suspend any registration certificates, permits or licenses held or requested by the Employer until such time as the violation is remedied. The City shall not renew any such license of an Employer with outstanding violations, as finally determined under this Chapter, until such time as the violation is remedied.

E. The remedies for violation of this Chapter include but are not limited to:

1. Reinstatement, the payment of back wages unlawfully withheld, and the payment of an additional sum as a civil penalty in the amount 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, and fines imposed pursuant to other provisions of this Code or state law.

2. Interest on all due and unpaid wages at the rate of interest specified in subdivision (b) of Section 3289 of the California Civil Code, which shall accrue from the date that the wages were due and payable as provided in Part 1 (commencing with Section 200) of Division 2 of the California Labor Code, to the date the wages are paid in full.

3. Reimbursement of the City's administrative costs of enforcement and reasonable attorney's fees.

4. If a repeat violation of this Chapter has been finally determined, the City may require the Employer to pay an additional sum as a civil penalty in the amount of \$50.00 to the City for each Employee or person whose rights under this Chapter were violated for each day or portion thereof that the violation occurred or continued, and fines imposed pursuant to other provisions of this Code or state law.

F. The remedies, penalties and procedures provided under this Chapter are cumulative and are not intended to be exclusive of any other available remedies, penalties and procedures established by law which may be pursued to address violations of this Chapter. Actions taken pursuant to this Chapter shall not prejudice or adversely affect any other action, civil or criminal, that may be brought to abate a violation or to seek compensation for damages suffered.

4-35-1000 Relationship to Other Requirements.

This Chapter provides for payment of a local Minimum Wage and shall not be construed to preempt or otherwise limit or affect the applicability of any other law, regulation, requirement, policy or standard that provides for payment of higher or supplemental wages or benefits, or

that extends other protections.

4-35-1100 Application Of Minimum Wage To Welfare-To-Work Programs.

The Minimum Wage established under this Chapter shall apply to the Welfare-to-Work programs under which persons must perform work in exchange for receipt of benefits. Participants in Welfare-to-Work Programs within the City of San Leandro shall not, during a given benefits period, be required to work more than a number of hours equal to the value of all cash benefits received during that period, divided by the Minimum Wage.

4-35-1200 Fees.

Nothing herein shall preclude the City Council from imposing a cost recovery fee on all Employers to pay the cost of administering this Chapter.

4-35-1300 Employee Exemptions

The requirements of this Chapter shall not apply to the following Employees:

1. Employees up to 25 years of age who are employed by a non-profit or governmental entity for after school or summer employment, or as a student intern, or as a volunteer, or as a trainee for a period not longer than 120 days.
2. Employees who are standing by or on-call according to the criteria established by the Fair Labor Standards Act, 29 U.S.C. Section 201. This exemption shall apply only during the time when the employee is actually standing by or on-call.

Section 2. Severability.

If any part or provision of this ordinance, or the application of this ordinance to any person or circumstance, is held invalid, the remainder of this ordinance, including the application of such part or provisions to other persons or circumstances, shall not be affected by such a holding and shall continue in full force and effect. To this end, the provisions of this ordinance are severable.

Section 3. Publication and Effective Date. This Ordinance shall take effect thirty (30) days after adoption. The title thereof shall be published once and a complete copy thereof shall be posted on the City Council Chamber bulletin board for five (5) days prior to adoption

2678419.1