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Staff Report for an Ordinance That Accelerates Implementation of the Statewide Minimum Wage Requirements in San Leandro

SUMMARY AND RECOMMENDATIONS

Per the direction provided by the City Council at the July 18, 2016 City Council meeting, staff recommends the City Council waive the first reading and consider the attached local minimum wage ordinance, to be effective July 1, 2017

BACKGROUND & ANALYSIS

A San Leandro minimum wage ordinance was discussed extensively by the City Council Finance Committee over the course of seven monthly meetings beginning in October, 2015. Studies and analyses were presented to the City Council Finance Committee and comments were received from San Leandro residents and businesses, local and regional 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 its June 13, 2016 work session, which 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 at its July 5, 2016 regular meeting a local minimum wage ordinance that would accelerate implementation of the State's new minimum wage law's requirements.

Following lengthy public testimony and discussion by the Council at the July 5th regular meeting, the City Council directed staff to modify the draft ordinance to include 'small and large employer' definitions (similar to how the current statewide minimum wage law is drafted), and to also add a provision that would allow small employers an additional year to implement the wage increases scheduled to begin for large employers on July 1, 2017. That modified ordinance was subsequently presented to the City Council at its July 18, 2017 regular meeting. Following additional public testimony and further City Council discussion, the Council directed staff to present for first reading

the draft of the ordinance that was presented at the July 5, 2016 meeting. That version is presented this evening.

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 an hourly rate of \$15.00 per hour on July 1, 2020 is achieved. The schedule below is for illustration purposes only:

<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

If the statewide minimum wage for businesses of any size eventually meets or exceeds the City of San Leandro's minimum wage, then the City's minimum wage ordinance and all of its requirements would automatically sunset. Per the recently enacted statewide minimum wage law, all employers in California (regardless of size) must pay 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

Staff recommends that enforcement of the ordinance should be handled on a complaint-driven basis. The City has never 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 could 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 proposed 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 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 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. These estimated costs were calculated with a presumption that the new statewide minimum wage requirements will be implemented without gubernatorial implementation of any of the off-ramp provisions. 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 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. Estimated implementation costs will be considered during the next biennial budget process for 2017-18 and 2018-19.

ATTACHMENTS

- Draft Minimum Wage Ordinance

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