



DATE: October 27, 2015

CATEGORY: Public Hearing

DEPT.: City Attorney's Office and City Manager's Office

TITLE: **Minimum Wage – Update on Regional Efforts and Introduce an Ordinance Amending Section 42.14 of the Mountain View City Code Related to the Citywide Minimum Wage**

RECOMMENDATION

Receive an update on regional minimum wage efforts and Introduce an Ordinance Amending Section 42.14 of the Mountain View City Code Related to the Citywide Minimum Wage (Attachment 1 to the Council report), to be read in title only, further reading waived, and set a second reading for November 10, 2015.

BACKGROUND

On [October 9, 2014](#), the City Council adopted an ordinance to require the payment of a Citywide minimum wage based upon the City of San Jose's ordinance. The ordinance set the Citywide minimum wage at \$10.30 per hour effective July 1, 2015, with annual adjustments on January 1 of each following year based upon the national Consumer Price Index (CPI). The Citywide minimum wage will remain \$10.30 per hour on January 1, 2016, as the CPI decreased 0.3 percent over the previous year.

The ordinance applies to employers who are either subject to the City's business license requirements or who maintain a business facility in the City. Covered employees are those who perform at least two (2) hours of work in a calendar week for an employer within the geographic boundaries of the City. There are no exceptions in the ordinance.

The ordinance provides for coordination with the City of San Jose Office of Equality Assurance (OEA) to conduct initial investigations of complaints and informal resolution, with escalated cases administered by the City under existing administrative enforcement provisions contained in the City Code.

In addition to adopting the ordinance in 2014, the City Council adopted a goal of reaching a \$15.00 per hour minimum wage by 2018.

On October 14, 2014, the Sunnyvale City Council also adopted a \$10.30 per hour minimum wage ordinance based upon the San Jose model, and set a goal to work with Mountain View and other regional agencies to achieve a minimum wage of \$15.00 per hour by 2018. The Sunnyvale minimum wage took effect on January 1, 2015.

On [March 31, 2015](#), the City Council approved a work plan for reaching a minimum wage of \$15.00 per hour by 2018, working in cooperation with neighboring cities and with input from the Mountain View community and business stakeholders, and directed staff to return in fall 2015 with a proposed ordinance using the following approach as a starting point for regional dialogue (Attachment 1):

Proposed Effective Date	Proposed Minimum Wage Rate
Current	\$10.30
7/1/2016	\$12.00
7/1/2017	\$13.50
7/1/2018	\$15.00
July 1 Each Following Year	CPI Increase

As stipulated in the current ordinance, the CPI is based upon the U.S. city average for urban wage earners and clerical workers. In October 2015, the cities of San Jose, Mountain View, and Sunnyvale announced that the minimum wage would remain \$10.30 per hour on January 1, 2016, as a result of the CPI decreasing 0.3 percent over the previous year. In contrast, the regional CPI for San Francisco urban wage earners and clerical workers increased 2.5 percent over the previous year. If the minimum wage ordinance was tied to the regional CPI instead of the national CPI, the minimum wage would have increased approximately 25 cents to \$10.55 per hour.

ANALYSIS

Regional Developments

The City of Mountain View has maintained a close partnership with the City of Sunnyvale in accomplishing City Council's objective for regional collaboration. In an effort to share information and resources with other regional agencies, Mountain View staff has facilitated monthly meetings since January 2015 with staff in Sunnyvale, Palo

Alto, Santa Clara, Los Altos, and Santa Clara County. Additional information has been shared with staff in San Jose, Campbell, Cupertino, Morgan Hill, and Los Gatos.

On April 9, 2015, the Board of Directors of the Cities Association of Santa Clara County (Cities Association) met and reviewed the Mountain View and Sunnyvale work plan for \$15.00 per hour by 2018, and discussed in general the benefits of taking a regional approach to any future wage increases. No action was taken at the time.

On June 1, 2015, the Mayors of Mountain View and Sunnyvale sent a joint letter to all Mayors and City Managers in Santa Clara County, outlining the regional effort for \$15.00 per hour by 2018 and seeking their participation. (Attachment 2).

The joint letter was also submitted to the Cities Association for discussion at its June 10, 2015 meeting. At that time, the Cities Association Subcommittee on Minimum Wage (Subcommittee) made a recommendation to promote regional consistency within Santa Clara County, pointing to the Mountain View and Sunnyvale efforts as the only existing effort towards regional consistency, and also recommended to not exempt tipped employees (Attachment 3). The Subcommittee noted that agencies with higher minimum wage ordinances have not carved out exemptions for youth, restaurant staff, or nonprofits. The Board of Directors unanimously supported the Subcommittee's recommendation for regional consistency of minimum wage ordinances across Santa Clara County, and recommended not exempting tipped employees.

On August 18, 2015, the City of Santa Clara adopted a minimum wage ordinance based upon the San Jose/Mountain View/Sunnyvale ordinance with one difference—the minimum wage was raised to \$11.00 per hour instead of \$10.30 per hour, effective January 1, 2016.

Shortly thereafter, on August 24, 2015, the City of Palo Alto also adopted an \$11.00 per hour minimum wage, based upon the San Jose/Mountain View/Sunnyvale ordinance, effective January 1, 2016. The Palo Alto City Council agreed to support the regional effort to reach \$15.00 per hour by 2018, but took no concrete action on the effort.

The City of Campbell discussed the minimum wage on May 19, 2015, but took no formal action. No other cities in Santa Clara County beyond those cited in this report have acted on the minimum wage or taken action on the proposed method of getting to \$15.00 per hour by 2018.

On September 10, 2015, the Cities Association considered a proposal submitted by the City of San Jose to hire an independent consultant to conduct a regional economic study of a \$15.00 per hour minimum wage, including the effect on workers, a cost-benefit

analysis of possible exemptions (youth, tipped employees, and nonprofit staff), the net impact on small businesses, and the benefits of regional consistency. The Board of Directors unanimously endorsed San Jose's proposed Countywide economic analysis of the minimum wage and contributed \$1,000 towards the cost of the study.

The San Jose City Council approved the regional study on September 15, 2015, and has begun the Request for Proposal (RFP) process to hire a consultant to conduct the study. Members of the South Bay Labor Council and the San Jose/Silicon Valley Chamber of Commerce will join other regional stakeholders in evaluating the RFP and selecting the consultant. The consultant is expected to be chosen by mid to late November 2015, and the report is anticipated to be released in February or March 2016.

In the Bay Area, two cities have enacted \$15.00 per hour minimum wage ordinances and one county is considering doing so. In November 2014, voters in San Francisco passed Proposition J to increase the minimum wage to \$15.00 per hour incrementally by 2018. On June 2, 2015, the Emeryville City Council approved a \$15.00 per hour by 2018 minimum wage, effective July 2, 2015. The phasing-in process applies to businesses with 55 or fewer employees. Employers with more than 56 employees currently pay a minimum wage of \$14.44 per hour as of July 2, 2015, with annual increases tied to the CPI. Finally, Contra Costa County is considering a proposal for a phased approach to \$15.00 per hour by 2020.

Beyond the Bay Area, several large metropolitan cities across the country have recently implemented wage increases to \$15.00 per hour, or have pending ballot measures to do so. In 2014, Seattle implemented a \$15.00 per hour minimum wage by 2017, 2018, or 2021, depending on the size of the employer. This summer, both the City and County of Los Angeles approved a \$15.00 per hour minimum wage by 2020 for businesses with more than 25 employees and by 2021 for businesses with less than 25 employees. Fast food workers in New York City will receive a wage increase to \$15.00 per hour by 2018, and elsewhere in the state the increase will phase-in by 2021. This only applies to fast food workers in chains with at least 30 outlets. In Washington, D.C., a voter-initiated measure to raise the wage to \$15.00 per hour by 2019 is expected to be on the November 2016 ballot. Lastly, Kansas City potentially has a measure on the November 2015 ballot to raise the wage to \$15.00 per hour by 2020, pending the result of a legal challenge.

Statewide Developments

In December 2014, State Senator Mark Leno introduced Senate Bill (SB) 3 to raise the State's current minimum wage of \$9.00 per hour to a minimum wage of \$11.00 per hour in 2016 and \$13.00 per hour in 2017. Beginning in 2019, the minimum wage would be adjusted annually by the rate of inflation. The City provided a letter of support for SB 3,

as did other regional agencies. The bill passed the full Senate, but was held in the Assembly Appropriations Committee as of the end of the 2015 legislative session. It is unknown at this time whether the legislation will be taken up in the forthcoming legislative session.

On July 22, 2015, the University of California announced that the minimum wage for its workers, both direct and contract employees, would increase to \$15.00 per hour. The “Fair Wage/Fair Work Plan” requires that all employees who work at least 20 hours a week be paid \$15.00 per hour by 2017 according to the following schedule: \$13.00 per hour on October 1, 2015; \$14.00 per hour on October 1, 2016; and \$15.00 per hour on October 1, 2017.

A Statewide initiative is currently under way to increase the State of California’s minimum wage to \$15.00 per hour by 2021. The Service Employees International Union (SEIU)–United Healthcare Workers West is in the process of collecting signatures to qualify for a Statewide ballot measure in November 2016. The measure would raise the Statewide minimum wage to \$11.00 per hour by 2017, and subsequently increase by \$1.00 each year until reaching \$15.00 per hour by 2021.

The nonpartisan Legislative Analyst’s Office issued a report on the SEIU initiative (Attachment 4). The report forecasted that a \$15.00 per hour Statewide minimum wage could encourage more people to enter the labor force, thus giving workers the ability to spend more money, but could also result in price increases, a reduction in businesses’ profits, or a substitution away from low-wage workers (for example, businesses could use machines to automate tasks that would otherwise be performed by low-wage workers). The report asserted that the net fiscal effect of the measure was highly uncertain, but that it could reduce State income tax revenue and increase State and local sales tax revenue. The overall fiscal effects to State and local tax revenues were estimated to be a range, from a loss of hundreds of millions of dollars to a gain of more than \$1 billion.

Community and Business Stakeholder Input

Staff made significant efforts to obtain feedback from community and business stakeholders through the following opportunities: two business forums for local businesses; two joint community engagement meetings, one held in Mountain View and the other in Sunnyvale; and online through Open City Hall. Staff utilized various methods to communicate about these opportunities, including:

- Social media messaging.
- Web news and calendar postings.

- Joint news release with Sunnyvale for community engagement meetings.
- *Mountain View Voice* newspaper ads.
- KMVT cable television government bulletin board information.
- \$15.00 by 2018 webpage.
- Postcard invitations for business forums mailed and hand-delivered in the downtown district and at targeted business plazas.
- Personal outreach and information sharing with Mountain View Chamber of Commerce, California Restaurant Association, Central Business Association, and the Raise the Wage Coalition.
- Extensive multilingual effort, including flyer translation and community, neighborhood, and faith-based event outreach

On August 27, 2015, staff held two business forums at Fenwick and West in downtown Mountain View. The forums were attended by approximately 50 local business owners and managers, including representatives from the restaurant, retail, hotel, and insurance industries. In both forums, representatives expressed concerns about implementing a \$15.00 per hour minimum wage by 2018 and spoke of the detrimental effect it may have on their businesses. Many attendees expressed that they cannot raise prices for customers commensurate with the increase in wages, and are concerned about whether they can stay in business.

During the afternoon forum, the following options were suggested for City Council consideration and were collectively agreed upon by the attendees:

- Implement a longer \$15.00 per hour phasing-in process to 2020 (instead of 2018) in order to give more time for businesses to adjust to the wage increases.
- Exclude tipped employees from the ordinance, as many tipped employees may already make substantially more than the minimum wage rate.
- Adjust the rate differently for small and large businesses, as small businesses have less employees and narrow profit margins, and are impacted by other corresponding wage increases such as the payroll tax, Workers' Compensation insurance, and paid sick leave.

The joint community outreach meetings were held on September 2, 2015, at the Senior Center in Mountain View, and September 3, 2015, at the Sunnyvale City Council Chambers. During the Mountain View event, staff gave a brief overview of the \$15.00 by 2018 approach and regional effort, and invited participants to provide feedback through written comment cards or by speaking at a microphone. The event was attended by approximately 70 people. Of those attending, 24 individuals spoke, with 19 voicing their support for a regional incremental approach to \$15.00 per hour by 2018, and 5 expressing concern about an increase to the minimum wage. There were 30 comment cards submitted, 23 of which expressed support for a further increase to \$15.00 per hour, and 7 that opposed an increase. Most supporters cited the rising cost of living and high rents in Mountain View as reasons to increase the minimum wage to \$15.00 per hour by 2018. Those opposed primarily referenced the hardship to businesses and suggested expanding the incremental phasing-in period beyond 2018 and excluding tipped employees.

During the period of September 1 through October 1, 2015, the City sought additional community input on reaching a \$15.00 per hour minimum wage through Open City Hall, an online forum for civic engagement. Citizens accessed the tool by visiting www.mountainview.gov/council/open_city_hall and provided feedback to the question: "Should Mountain View increase the minimum wage rate to \$15.00 by 2018?" A total of 83 responses were given on Open City Hall and are currently available online for public review. Of those responses, 51 were in favor of increasing the minimum wage to \$15.00 per hour by 2018, and 31 were opposed.

In July 2015, the Mountain View Chamber of Commerce conducted a survey of its members to determine the impacts to local businesses of a \$15.00 per hour incremental increase. There were 86 responses to the survey. Of those responding, 59 percent indicated support for an incremental increase to \$15.00 per hour by 2018, while 41 percent would not support an increase. The survey indicated that most business owners and contractors participating in the survey currently pay employees more than the current minimum wage rate of \$10.30 per hour: 48 percent pay \$15.00 per hour or more; 32 percent pay between \$12.00 and \$15.00 per hour; and 20 percent pay between \$10.30 and \$12.00 per hour. The impacts to businesses were varied: 75 percent of respondents would increase prices for customers, and 45 percent would reduce employee work hours. Most responders indicated that it was highly unlikely that they would close their business (74 percent) or move to another city with a lower minimum wage rate (71 percent).

Studies For and Against Increasing the Minimum Wage

Two predominant viewpoints on the impact of raising the minimum wage prevail: whether an increase would stimulate the economy, boost spending, and provide much needed income to workers, versus whether it would create increased business costs, higher prices on goods and services, and job losses.

In order to present balanced information for City Council consideration, the following studies for and against a minimum wage increase are provided (Attachments 5 through 8):

- National Employment Law Project – *The Growing Movement for \$15.00* (April 2015)
- Institute for Research on Labor and Employment, University of California, Berkeley – *San Francisco's Proposed City Minimum Wage Law: A Prospective Impact Study* (August 2014)
- Mercatus Center, George Mason University – *Unintended Consequences of Raising the Minimum Wage* (October 2013)
- Beacon Economics – *Cost-Benefit Analysis: Los Angeles Minimum Wage Proposal* (March 2015)

FISCAL IMPACT

There is no direct fiscal impact to the recommendations in this report other than the utilization of budgeted staff hours and nominal expenses for outreach efforts. Should a new ordinance be adopted, it is anticipated to have a modest direct fiscal impact on the City in terms of both wages paid by the City and anticipated enforcement costs provided by the San Jose OEA. The City has one hourly position that is currently paid \$10.30 per hour, while there are 18 positions paid between \$10.30 and \$15.00 per hour. City costs would increase approximately \$75,000 by 2018 if the minimum wage was incrementally increased to \$15.00 per hour. The OEA has provided the City with a flat fee, per task schedule, which ranges from \$200 to \$1,000 per task based on complexity of work and size of employer being investigated. Based upon a relatively low volume of complaints received in San Jose since the adoption of its ordinance, the City has budgeted \$20,000 in Fiscal Year 2015-16 for this delegated work. The City has not received any complaints or spent any funds thus far. The Citywide minimum wage will remain \$10.30 per hour on January 1, 2016, as the CPI decreased 0.3 percent over the previous year. The State minimum wage will increase to \$10.00 per hour on January 1, 2016.

CONCLUSION

As directed by Council, staff has prepared an ordinance for consideration in order to achieve the stated Council goal of reaching a minimum wage of \$15.00 per hour by 2018. Considerable outreach was conducted to other agencies in the County to seek a common regional approach, but no broad consensus was reached. Considerable outreach was also done to solicit community and business input. Opinions, including numerous studies, differ significantly on this issue. There is no consensus on an approach or the impacts of raising the minimum wage. As a result, staff has brought an ordinance based on the original direction of the City Council. However, there are a number of alternative approaches to this issue.

ALTERNATIVES

1. Council could keep the Citywide minimum wage ordinance as it is and take no further action.
2. Council could change the CPI in the minimum wage ordinance from the U.S. city average to the San Francisco Bay Area average.
3. Council could wait for the San Jose regional study to be released and consider adjustments to the Citywide minimum wage ordinance if a regional consensus is reached.
4. Council could adopt an ordinance to raise the Citywide minimum wage to \$11.00 per hour effective January 1, 2016, to match the model set by Palo Alto and Santa Clara.
5. Council could set a different tiered schedule and/or timeline for the minimum wage rate and effective dates. Given that San Jose, Palo Alto, and Santa Clara have January 1 dates, it might make sense to use that versus July 1.
6. Council could provide other direction.

PUBLIC NOTICING – Agenda posting.

Prepared by:

Kimbra McCarthy
Deputy City Manager

Approved by:

Jannie L. Quinn
City Attorney

Daniel H. Rich
City Manager

KMcC/7/CAM
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- Attachments:
1. Ordinance Amending Chapter 42.14 of the Mountain View Code Related to the Citywide Minimum Wage
 2. Joint Letter of Support for \$15.00 Per Hour by 2018 Effort
 3. Cities Association of Santa Clara County Subcommittee on Minimum Wage Recommendation
 4. Legislative Analyst's Office Report on Statewide \$15.00 Minimum Wage
 5. National Employment Law Project – *The Growing Movement for \$15*
 6. Institute for Research on Labor and Employment, University of California, Berkeley – *San Francisco's Proposed City Minimum Wage Law: A Prospective Impact Study*
 7. Mercatus Center, George Mason University – *Unintended Consequences of Raising the Minimum Wage*
 8. Beacon Economics – *Cost-Benefit Analysis: Los Angeles Minimum Wage Proposal*
 9. Cities/Counties Which Have or May Adopt Minimum Wage Ordinances