

From: "Raania Mohsen"

Date: Jun 27, 2015 12:53 PM

Subject: FW: Cities Association: Recommendation on Minimum Wage

To: "Al Bito", "Alan Kurotori", "Ana Ruiz", "CarolAtwood", "Christina Gilmore", "Crystal Morrow", "Gary Ameling", "J Logan", "James Walgren", "Jacqueline Guzman", "Jessica Stanfill Mullin", "Kevin Woodhouse", "Khashyar Alaee", "Kimberly Thomas", "Kristina Alfaro", "Melissa Dile", "Ruth Shikada", "Sheila Tucker", "Aarti Shrivastava", "Laurel Prevetti", "Yvette Blackford", "Kent Steffens", "Kimbra McCarthy", "Suzanne Mason", "Ed Shikada"

Dear All:

Considering minimum wage was on the agenda at the last Assistant City Managers meeting, the recent recommendation from the Cities association may of interest.

The following message was sent to all Mayors City Managers.

Best,
Raania

Subject: Cities Association: Recommendation on Minimum Wage As several cities consider increasing or studying minimum wage, recent action and recommendation from the Cities Association may be of interest. The Cities Association of Santa Clara County adopted minimum wage as a priority for 2015. A subcommittee was formed to consider minimum wage ordinances and its implication on the region.

At the June 11th Board Meeting, the subcommittee provided a recommendation to the Board of Directors and the Board unanimously supported the following recommendation. The Cities Association encourages jurisdictions to establish minimum wage ordinances that promote regional consistency within Santa Clara County. Inconsistent minimum wage rates creates serious problems for jurisdictions, locations, and employers and can affect a city's economic competitiveness. The subcommittee points to the Sunnyvale/Mountain View efforts as the only existing effort towards regional consistency, and the subcommittee encourages jurisdictions to take a close look at these efforts. In addition, the Cities Association recommends to not exempt restaurant wait staff. The subcommittee identified three specific issues that jurisdictions should consider in their discussion of minimum wage increase: exemptions for youths, restaurant wait staff, and non-profit organizations. Please note, all three jurisdictions within Santa Clara County (San Jose, Sunnyvale, Mountain View) that have adopted a higher minimum wage ordinance considered these three issues and none of them adopted exemptions.

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To: Cities Association Board of Directors
From: Cities Association Subcommittee on Minimum Wage: Jim Griffith, Rod Sinks, John McAlister
Re: Report/Recommendation on the Minimum Wage
Date: June 7, 2015

Introduction

Income inequality in America is an increasing problem that is encouraging elected officials to take a hard look at the minimum wage as one tool to bring relief to the problem. With Congress currently unwilling to examine the issue at the federal level, many states and local jurisdictions have already approved or are considering local minimum wage increases. In August 2014, the US Conference of Mayors' "Cities of Opportunity Task Force" endorsed higher minimum wages as a key tool for addressing income inequality.

Santa Clara County is no exception to the challenges of income inequality, with the San Jose-Sunnyvale-Santa Clara metropolitan area having the second highest cost of living index in the state of California. Already, the cities of San Jose, Sunnyvale, and Mountain View have approved minimum wage increases. The cities of Palo Alto, Santa Clara, Morgan Hill, and Campbell are additionally considering a minimum wage increase.

The legal and policy issues with a minimum wage increase are lengthy. Rather than repeating those issues in its report, the subcommittee provides the Sunnyvale Report To Council (RTC) on the topic as an overview.

The state is considering the issue, and CA Senate Bill 3 (Leno) proposes an increase to \$11/hour in 2016 and \$13 in 2017, with CPI adjustments starting in 2019.

San Jose and Sunnyvale have already established a \$10.30/hour minimum wage with annual CPI adjustments. Mountain View has adopted an identical ordinance that takes effect July 1, 2015. Mountain View and Sunnyvale have additionally established a policy goal of a \$15/hour minimum wage by 2018. Mountain View is currently discussing a possible phased increase to \$15 by 2018, and Sunnyvale is monitoring Mountain View's efforts with an expressed interest in adopting Mountain View's schedule.

However, Palo Alto is now proposing a minimum wage that matches none of the other three increases initially, although it is likewise targeting \$15 by 2018. Santa Clara has proposed a minimum wage increases that matches the other three jurisdictions with \$10.30 and a CPI-based increase, but Santa Clara has not yet expressed an opinion regarding the \$15 by 2018 goal. In light of this, Mountain View and Sunnyvale have sent a joint letter to the other cities in Santa Clara County

encouraging regional consistency in any schedules and degrees of a minimum wage increase.

Priority Consideration

In looking at this issue, the subcommittee asserts that **regional consistency is a paramount consideration** for jurisdictions that are considering adopting a higher minimum wage. A lack of regional consistency in minimum wage rates creates serious problems for jurisdictions, locations, and employers. A parallel can be drawn with local jurisdictions' efforts to adopt single-use bag policies, and the confusion and competitiveness issues caused when jurisdictions' requirements vary.

Jurisdictions suffer from a lack of consistency, in that differences in minimum wage requirements can affect a city's economic competitiveness. Additionally, jurisdictions have already received reports from employers in Santa Clara County stating that cities without an increased minimum wage are losing quality employees to opportunities in cities with higher minimum wages.

A lack of consistency can even impact specific locations that span jurisdictions, such as Valley Fair. A business in the lower-wage portion of the location has a competitive advantage over a related business in the higher-wage portion of the location. Similar behavior was observed in Valley Fair when San Jose adopted a plastic bag ban well in advance of any effort by Santa Clara to do the same.

Employers who operate locations in different jurisdictions encounter payroll and employment challenges when the locations have different minimum wage rates.

The issue of regional consistency argues strongly for either a national or state minimum wage increase. While Congress has demonstrated no willingness to examine this issue, CA Senate Bill 3 (Leno) proposes an increase to \$11/hour in 2016 and \$13 in 2017, with CPI adjustments starting in 2019. The subcommittee considered this but instead suggests the Sunnyvale-Mountain View goals as a starting point for discussion, since they surpass SB 3 in timing and degree. The considerably higher cost of living in Silicon Valley was an additional factor in recommending efforts beyond those that might be achieved by SB 3, should it eventually be approved. In general, significant differences in regional economies argue for minimum wages based on regions smaller than the State of California.

At the last Silicon Valley Leadership CEO Economic Outlook Conference, the attendees were asked "would you support a minimum wage of \$15/hour, phased in through 2020" 85% of respondents answered in the affirmative.

Accordingly, the subcommittee recommends that the Cities Association encourage jurisdictions to place particular emphasis and value on establishing minimum wage ordinances that promote regional consistency within Silicon Valley. While not willing to endorse a specific minimum wage

requirement or timeline, the subcommittee points to the Sunnyvale/Mountain View efforts as the only existing effort towards regional consistency, and the subcommittee encourages jurisdictions to take a close look at these efforts.

Issues

The subcommittee identified three specific issues that jurisdictions should consider in their discussion of a minimum wage increase, namely possible exemptions for youths, for restaurant wait staff, and for non-profit organizations.

Exemption for Youths

One frequent concern is the impact on youth hiring, particularly as it affects summer and holiday hiring. When contemplating a minimum wage increase, jurisdictions often consider making an exception for youth hiring. The argument in favor of such an exemption asserts that without such an exemption, employers tend to reduce youth hiring. Early employment opportunities can have a significant impact on future job prospects, so cities are strongly motivated to encourage youth employment. The argument against such an exemption asserts that such an exception encourages employers to hire younger workers at the expense of older workers.

All three County jurisdictions that have adopted a higher minimum wage considered this issue, and none of the jurisdictions have adopted a youth exemption.

It is the opinion of the subcommittee that a youth exemption has no regional impact, since youths are most likely to work in close to home regardless of employment conditions. Such an exemption is unlikely to create issues of regional competitiveness. Therefore, **the subcommittee makes no recommendation about a youth exemption other than to encourage the general concept of regional consistency.**

Exemption for Restaurant Wait Staff

One concern is the disparity that exists when a minimum wage is applied to both wait staff and behind-the-counter employees in restaurants, since wait staff can receive tips and other restaurant employees do not. Restaurant employers argue that minimum wage wait staff receives considerably more than minimum wage once tip income is taken into account. They further assert that applying a minimum wage increase to

California state law prohibits employers from crediting tip income towards an employer's minimum wage requirements.

All three County jurisdictions that have adopted a higher minimum wage considered this issue, and none of the jurisdictions have adopted a wait staff exemption.

It is the opinion of the subcommittee that a wait staff exemption would have significant and direct regional impact, given the multiple existing ordinances that do not make such an exemption. When minimum wages vary from jurisdiction to jurisdiction, employees and customers are willing to look to restaurants in other jurisdictions when employment terms or prices differ. Maintaining an environment where Silicon Valley restaurants are equally attractive to potential employees and customers regardless of jurisdiction is of significant value. Additionally, wait staff is often required to work during hours when little or no income from tips can be realized. The State of California does not permit employers to credit tips towards the state legal minimum wage requirement. It is difficult to justify a wait staff exemption for local minimum wage requirements when state minimum wage requirements make no such distinction. Therefore, **the subcommittee recommends against cities creating an exception for restaurant wait staff.**

Exemption for non-profit employees

Concerns have been raised about applying an increased minimum wage to non-profits and to organizations reimbursed by the state, since such entities tend to provide services for the most at-risk community members. A higher minimum wage may decrease a non-profit's ability to provide those services.

All three County jurisdictions that have adopted a higher minimum wage considered this issue, and none of the jurisdictions have adopted a non-profit exemption.

It is the opinion of the subcommittee that a non-profit exemption has no regional impact, since non-profits tend not to suffer from issues of regional competitiveness. Therefore, **the subcommittee makes no recommendation about a non-profit exemption other than to encourage the general concept of regional consistency.**

Other Issues

The subcommittee discussed the pros and cons of **a total compensation approach** rather than a minimum wage specific approach. As a matter of best practices, there is considerable merit to a total compensation approach. Terms of employment vary from profession to profession, with some professions placing greater value on considerations such as leave or medical benefits than others. A total compensation approach may provide more robust and equitable requirements for both employers and employees, and such an approach may be a more effective way to address issues of income inequality. However, existing state and local laws invariably deal with compensation issues on a benefit-by-benefit basis, with one law addressing health insurance, another addressing wages, a third addressing sick leave, and so on. Given existing legislation addressing specific benefits, applying an additional total compensation requirement is unlikely to achieve the desired level of flexibility or

effectiveness. The subcommittee is additionally unaware of any jurisdictions taking a total compensation approach to this issue.

Attachments:

1. Sunnyvale Report to Council of 5/20/2014
2. Sunnyvale Report to Council of 10/14/2014
3. Campbell Staff Report on Minimum Wage Study Session of 05/19/15
4. Campbell Staff Report Attachments: Cost of Living and Demographic Charts, Campbell Minimum Wage Survey, Campbell Minimum Wage Survey Results, Addendum to Staff Memo
5. California Restaurant Association Letter to Campbell City Council re: Minimum Wage Study Session
6. Sunnyvale/Mountain View Letter to Mayor Cristina of Campbell (and all Mayors in Santa Clara County) re: minimum wage increase approach



City of Sunnyvale

Agenda Item

14-0280

Agenda Date: 5/20/2014

REPORT TO COUNCIL (REPUBLISHED 5/21/2014)

SUBJECT

Establish a City Advocacy Position on Minimum Wage, and Provide Further Input Regarding Creation of a Local Minimum Wage Ordinance, Including Enforcement and Implementation of Such Ordinance (Study Issue)

BACKGROUND

In June 2013, Council sponsored Study Issue OCM-14-01, *Consider Adopting a Local Minimum Wage Ordinance Modeled on the City of San Jose Initiative* (Attachment 1). At that time, the City Manager made no recommendation on the study issue paper. In the fall of 2013, Governor Jerry Brown signed legislation that would increase the state's minimum wage rate to \$9.00 per hour on July 1, 2014 and \$10.00 per hour on January 1, 2016. Staff updated the study issue paper to include information on the new California law and the City Manager updated the staff recommendation from *no recommendation* to *drop*, citing the new law as the basis for no longer needing a local ordinance. At the 2014 Study/Budget Issues Workshop, however, Council directed staff to study a local minimum wage ordinance similar to the one recently enacted in the City of San Jose that would adopt a \$10 per hour minimum wage with an annual adjustment tied to the Consumer Price Index (CPI). The City of San Jose's ordinance is presented as Attachment 6.

Staff has been researching and evaluating the requirements, including both programmatic and community consequences, for adopting a minimum wage ordinance similar to the initiative passed by San Jose voters in 2012. That initiative increased San Jose's minimum wage from \$8.00 per hour to \$10.00 per hour effective March 11, 2013. Beginning on January 1, 2014, the minimum wage was to be adjusted annually by the amount corresponding to the prior year's August Consumer Price Index (Urban Wage Earners and Clerical Workers, U.S. City Average for All Items) as published by the U.S. Department of Labor. Employers in Sunnyvale are governed by the state's minimum wage requirement, which is currently \$8.00 per hour, and which is set to increase to \$9.00 per hour on July 1, 2014 and \$10.00 per hour on January 1, 2016. In San Jose, the current minimum wage is \$10.15 per hour. The State's minimum wage law does not preempt local ordinances from requiring payment of a higher minimum wage.

Meanwhile, pending legislative efforts at both the state and federal level have presented opportunities to advocate for increased minimum wage rates that staff has been unable to respond to because the City has not adopted a policy position on minimum wage. This report presents a draft Legislative Advocacy Position for Council's consideration, which would enable City advocacy on this topic.

In addition, the report provides information about the typical provisions which make up local minimum wage ordinances, including the provisions in the City of San Jose's initiative that increased the minimum wage and included an annual cost of living adjustment tied to the CPI, and alternatives for

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implementation and remedies/enforcement of the ordinance.

EXISTING POLICY

Council Policy 7.3.1 *Legislative Management - Goals and Policies:*

Policy 7.3B.3 Prepare and update ordinances to reflect current community issues and concerns in compliance with state and federal laws.

Policy 7.3B.4 Prepare and update the Legislative Advocacy Positions as the shorter-term policies that support the General Plan and guide Council and staff on intergovernmental matters.

ENVIRONMENTAL REVIEW

N/A

DISCUSSION

A. City Advocacy Position

There are several key pieces of minimum wage-related legislation making their way through the Congress and the California Legislature. Senate Bill 935 (Leno) may address Council's intent regarding raising the minimum wage and tying annual increases to the CPI. However, the City does not have a policy position allowing advocacy regarding minimum wage increases at the state or federal level. To support this issue at the state and federal level, a new long-term advocacy position such as the following would need to be adopted by Council:

"Supporting the quality of life in Sunnyvale, the City would support legislation to increase the current minimum wage or tie future increases to Consumer Price Index (CPI) or the rate of inflation."

Adoption of such a policy would allow staff to advocate for minimum wage increases at the state and federal level in a timely manner.

B. Local Minimum Wage Ordinance

Since Council's ranking of Study Issue OCM 14-01, staff has evaluated the efforts of other cities on the topic of minimum wage increases and local ordinances, and researched current and pending legislation at the state and federal level. In addition, staff performed outreach in the community via an online survey and targeted industry outreach meetings with business owners, business representatives and business groups, including the Sunnyvale Chamber of Commerce and California Restaurant Association, and nonprofit representatives including the Sunnyvale Community Services Board.

There appears to be a growing concern that the current state minimum wage does not acknowledge the high cost of living in California and in particular the Bay Area. The cities of San Francisco and San Jose have already enacted local minimum wage laws, and a number of other Bay Area cities are in the process of considering them. Some cities are having discussions about the viability of a *regional* minimum wage for a geographic area, such as a county. Additionally, both the federal and state legislatures are considering amending their minimum wage laws. Below is a table showing some of the efforts currently underway:

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Jurisdiction	Proposal per hour	Tied to CPI/Inflation	Status/Exemptions
US Congress, <i>Minimum Wage Fairness Act</i>	\$10.10	Yes; tied to Inflation	Failed to garner support from the Senate, but several additional bills are pending. The minimum wage issue continues to be an actively discussed topic at the Federal level.
California Legislature, SB 935 (Leno)	1/1/15 \$11.00 1/1/16 \$12.00 1/1/17 \$13.00	Yes; tied to Inflation beginning January 2018	Suspense file (used by Appropriations Committees in both houses of the legislature to temporarily hold bills with \$150,000 or more of expenditures).
Berkeley	7/1/14 \$9.00 (same as state) 1/1/15 \$10.00 1/1/16 \$10.75	No	Second Reading of the ordinance to be on 5/20/14. The Council also established a task force to work with businesses on additional increases. Task force would explore creating a "regional minimum wage" with Oakland and other East Bay cities. Some exemptions, but "direct tipped" employees included in the ordinance.
Richmond	1/1/15 \$9.60 1/1/16 \$11.52 1/1/17 \$12.30	Yes; tied to CPI beginning January 2018	Council directed staff to draft an ordinance with several exemptions, including, but not limited to: 1. People less than 18 years of age 2. Businesses with fewer than 10 employees 3. Employees that are regularly tipped
Mountain View	Nothing formally proposed	Nothing formally proposed	Community activists asking council to consider a ballot initiative or adopt ordinance to raise minimum wage to \$15 per hour.

In addition to the efforts under way in Richmond, Berkeley, and Mountain View, similar initiatives are also being considered in Los Angeles, Oakland, and San Diego. In all of these jurisdictions, councils are being lobbied to join San Francisco and San Jose in setting a minimum wage higher than state law and, in some cases, to include an automatic annual increase linked to the CPI.

Community Outreach

A survey was created and promoted via Facebook, Twitter, and direct emails, resulting in about 460 participants providing input (Attachment 2). Approximately 65 percent of survey respondents were

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Sunnyvale residents, 23 percent were business owners, and the remaining 12 percent choosing either employee or “other”. About 78 percent of residents support an increase to \$10.00 per hour prior to the state’s increase in January 2016, and about 74 percent support linking the increase to the CPI. Business owners’ responses were split nearly down the middle with 53 percent opposing an increase to the minimum wage (47 percent in support) and 51 percent opposing linking future increases to the CPI (49 percent in support).

The nonprofits unanimously support a minimum wage increase and support linking future increases to the CPI (Attachment 5). Sunnyvale Community Services Board of Directors, an emergency assistance provider, voted unanimously to support a minimum wage increase and tying future increases to the CPI. The main reason for the support is due to the high cost of living in Sunnyvale. These organizations are seeing more clients unable to pay for basic necessities such as housing and food.

Points for Council Consideration

1. Typical Provisions of a Local Ordinance

The San Jose local minimum wage law adopts a local minimum wage which adjusts automatically each year based on any increase to the CPI. It requires employers to pay its minimum wage for each hour worked within the geographic boundaries of the City. It defines “Employer” as any person, including corporate officers or executives, as defined in Section 18 of the California Labor Code, who directly or indirectly through any other person, including through the services of a temporary employment agency, staffing agency or similar entity, employs or exercises control over the wages, hour or working conditions of any Employee and who is either subject to the Business License Tax Chapter of the Municipal Code or maintain a facility in the City.” The ordinance set the original minimum wage at \$10.00 per hour; under the adjustment formula, on January 1, 2014, San Jose increased its minimum wage to \$10.15 per hour.

Staff has met with business owners and groups, the Sunnyvale Chamber of Commerce, and nonprofit organizations to discuss the study issue. A survey was also conducted to gather additional input from the community at large. Based on the feedback from these groups, below are additional provisions for Council consideration, including potential exemptions for specific working groups and the intervals at which adjustments to the minimum are applied.

Increases to CPI or Inflation.

Some businesses are supportive of increasing the City’s minimum wage to \$10.00 prior to the state’s mandated \$10.00 per hour on January 1, 2016. However, the majority of businesses, including the Chamber of Commerce and California Restaurant Association, are opposed to linking any future increases to the CPI. Business owners representing sectors such as restaurants, hotels, small retail businesses, stated that they currently pay more than the State’s minimum wage. However, most of the impacted businesses say that linking the minimum wage to the CPI would change the minimum wage every year and would be costly and inconvenient as they will not be able to accurately predict annual budgets.

Intervals at which adjustments to the minimum wage would be considered.

As an alternative to an annual increase that ties to CPI, the Sunnyvale Chamber of Commerce is proposing that Council consider a fixed minimum wage with reviews every

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three years and adjustments to a predictable and fixed amount (Attachment 3). The logic behind the proposal is that if the CPI increases by two percent on year one, four percent on year two, and three percent on year three, when Council reviews the minimum wage issue in year three, the increase could be up to nine percent.

Potential exemptions for specified working groups or categories of people.

Directly-Tipped Employees: The California Restaurant Association strongly opposes any minimum wage increase (Attachment 4) due to the industry's low profit margins and their assertion that tipped employees would profit the most from a minimum wage increase. Restaurant owners repeatedly stated that minimum wage should not apply to *directly-tipped* employees because they have higher compensation when tips are taken into account, and because more base pay for tipped workers would mean less funding would be available for non-tipped employees. At the state level, California Labor Code 351 precludes crediting tips against wages to meet a minimum wage requirement. San Jose's ordinance (Attachment 6) does not exclude any *directly-tipped* employees from the minimum wage requirement.

Additional Exemptions Being Considered by Other Cities: Other cities, including Berkeley and Richmond, are considering exempting businesses with less than a certain number of employees, persons less than 18 years of age, and directly-tipped employees.

2. Implementation and Enforcement

San Jose and San Francisco's minimum wage ordinances were mandated by voter initiatives. San Francisco voters approved their minimum wage ordinance in 2003. San Francisco's program is enforced by its Labor Standards Enforcement, which also enforces Healthy San Francisco (a healthcare ordinance) and its Paid Sick Leave requirement. The San Jose Minimum Wage Initiative was approved by voters in November 2012 and took effect March 2013. San Jose's program enforcement is managed by the city's Office of Equality Assurance, which also manages the city's Living Wage and Prevailing Wage programs. The City of San Jose has two full-time positions assigned to enforcement of their program - a division manager and a contract compliance specialist. The City of San Jose's ordinance identifies two means of enforcement or remedy, including administrative action by the city's Office of Equality Assurance (OEA) and/or a private enforcement action through the courts by the person aggrieved by the violation.

The San Jose minimum wage ordinance basically creates a minimum wage program. In order for the City to implement an ordinance modeled after the one adopted in the City of San Jose, the following activities would be required.

Implementation:

- Provide outreach and education to affected businesses and employees about their rights and responsibilities, which would include creation and distribution of educational materials with annual updates.
- Develop any guidelines required to implement the program.
- Answer questions about the ordinance.

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Administrative Enforcement:

- Accept complaints.
- Investigate complaints made regarding compliance, which include interviewing employees, requesting and reviewing documentation, and possible subpoenas.
- Negotiate informal resolutions of complaints.
- Issue administrative citations for noncompliance.
- Provide appeals with the hearing office for administrative citations.
- Collect and track administrative citations.

Unlike San Jose and San Francisco, Sunnyvale does not have infrastructure in place nor staff expertise to manage a minimum wage program. Currently, persons employed within the City rely on the State's Department of Industrial Relations to enforce any wage issues between an employee and their employer. Enforcement of a minimum wage ordinance program for the City is not currently considered a core service. Development of such a program would take time and resources. Staff estimates that up to six months and approximately 900 staff hours may be needed to fully develop an implementation and enforcement program based on adoption of a minimum wage ordinance. The amount of hours may increase or decrease depending on any exemptions and the intervals on which increases are made.

It may be possible to contract out enforcement actions with another local agency that already has resources dedicated to enforce such an ordinance. Should Council choose to explore this option, staff would return with language presenting enforcement options for Council consideration. Additionally, Council could consider an ordinance that adopted a local minimum wage that did not include administrative enforcement provisions and provided only a private enforcement mechanism. Under that scenario, an aggrieved person would file an enforcement action directly with the courts rather than through a complaint with the City.

FISCAL IMPACT

There is no immediate fiscal impact to Council's adopting an advocacy position or providing direction on the specific provisions it would want in a local ordinance. At a minimum, to implement a City minimum wage ordinance with City enforcement may require approximately 900 hours of staff time to conduct outreach and update employee/employer notifications and guidelines; the estimated cost for promotional and outreach materials would be approximately \$10,000 per year. Specific costs for the various provisions of a potential ordinance as presented in this report could vary and would be presented to Council in a follow-up report.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website. Staff also notified interested parties and those that submitted comments and/or attended the outreach meetings.

As previously mentioned, staff conducted a community survey regarding the issue; survey results are presented as Attachment 2. Additional letters received on this matter are presented as Attachments 3, 4, and 5

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ALTERNATIVES

1. Advocacy Position:
 - a. Adopt a new long-term advocacy position as presented: *Supporting the quality of life in Sunnyvale, the City would support legislation to increase the current minimum wage or tie future increases to Consumer Price Index (CPI) or the rate of inflation.*
 - b. Adopt a modified long-term advocacy position.
 - c. Do not adopt a City advocacy position on this subject.
2. Direct staff to Create a Minimum Wage Ordinance:
 - a. Automatic Future Increases.
 - i. Annual increases tied to CPI.
 - ii. Increases every three years tied to CPI.
 - iii. Other interval as directed by Council.
 - iv. Do not tie future increases of the minimum wage to CPI.
 - b. Potential exemptions for specified working groups or categories of people.
 - i. Exempt *directly-tipped* employees.
 - ii. Exempt businesses with less than a certain number of employees, as specified by Council.
 - iii. Exempt persons within age ranges as specified by Council.
 - iv. Exempt public agencies and/or nonprofits.
 - v. Other exemptions as directed by Council.
 - vi. Do not provide any exemptions.
 - c. Enforcement options:
 - i. Direct staff to explore options for in-house City enforcement of the ordinance and return to Council with their findings.
 - ii. Direct staff to explore options for contract enforcement of the ordinance and return to Council with findings.
 - iii. Other action as directed by Council.
 - iv. Introduce an Ordinance with no City enforcement and only a Private Right of Action.
3. Do not move forward with a minimum wage ordinance.
4. Other action as directed by Council.

RECOMMENDATION

Staff makes no recommendation on Alternatives 1 (City advocacy position) or 2 (whether or not City should adopt a minimum wage ordinance). However, should Council pursue an ordinance, staff recommends that Council provide guidance addressing each of the Alternative categories - *Automatic Future Increases*, *Potential Exemptions*, and *Enforcement Options*. More specifically with regard to *Enforcement Options*, should Council pursue an ordinance with City enforcement, staff recommends Council move both Alternatives 2c(i) and 2c(ii) to ensure staff returns with a comprehensive list of options.

The costs and effort required for either of those options could vary significantly. An in-house program, for example, would require development from the ground up as currently the City has no supportive infrastructure in place. The cost of a contracted enforcement service might be less; however there may be additional inconveniences to the aggrieved parties in traveling to another city to file a complaint. Exploring both options would benefit Council by resulting in a more comprehensive list of options.

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Prepared by: Connie Verceles, Economic Development Manager
Approved by: Robert A. Walker, Interim City Manager

ATTACHMENTS

1. Study Issue OCM-14-01
2. Minimum Wage Increase Survey Results
3. Sunnyvale Chamber of Commerce Letter
4. California Restaurant Association Letter
5. Silicon Valley Council of Nonprofits Letter
6. City of San Jose Minimum Wage Ordinance



City of Sunnyvale

Agenda Item

14-0694

Agenda Date: 10/14/2014

REPORT TO COUNCIL

SUBJECT

Introduce an Ordinance to Add Chapter 3.70 (Minimum Wage) to Title 3 of the Sunnyvale Municipal Code to Require the Payment of a Citywide Minimum Wage; Find that the proposed ordinance is exempt from the California Environmental Quality Act (CEQA) under CEQA Guideline Section 15061 (b)(3); and Approve Budget Modification No.16.

BACKGROUND

Currently, most Sunnyvale employers are governed by the State's minimum wage requirement, which is \$9.00 per hour and is set to increase to \$10.00 per hour on January 1, 2016. In San Jose, the current minimum wage is \$10.15 per hour and may increase on January 1, 2015, based on this year's increase in the Consumer Price Index (CPI).

At the May 20, 2014 City Council meeting, Council took three actions related to Study Issue OCM 14-01:

1. Adopted a long-term advocacy position supporting legislation to increase minimum wage and tie future increases to the CPI.
2. Directed staff to return to Council with a minimum wage ordinance (modeled after the City of San Jose's Minimum Wage Ordinance) with no exemptions for specific groups of employees and with annual increases tied to CPI.
3. Directed staff to explore options for contract and in-house enforcement of the ordinance and to return to Council with findings.

Staff has continued to monitor state legislation regarding minimum wage increases and submitted a support letter for SB 935 (De Leon), which proposes to increase the minimum wage over a three year period, and then provide for annual automatic adjustments based on the CPI. SB 935 did not garner enough votes to pass the Assembly Labor and Employment Committee, and will not be heard again this year.

Similar to the San Jose ordinance, the City of Sunnyvale's proposed ordinance (Attachment 1) adopts a local minimum wage which adjusts automatically each year based on any increase in the CPI. The ordinance requires Sunnyvale employers to pay a minimum wage of \$10.30 per hour starting January 1, 2015, for each hour worked within the geographic boundaries of the City of Sunnyvale. It defines "Employer" as any person, including corporate officers or executives, as defined in Section 18 of the California Labor Code, who directly or indirectly through any other person, including through the services of a temporary employment agency, staffing agency or similar entity, employs or exercises control over the wages, hours or working conditions of any employee.

In accordance with Council direction provided to staff on May 20, 2014, the proposed ordinance creates a minimum wage program for the City of Sunnyvale. In order for the City to implement and

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administer the proposed ordinance the following is required:

- Adoption of the ordinance by City Council
- Outreach and education for employers and employees
- Informational materials regarding new ordinance
- Clear and concise program guidelines
- Investigation of complaints
- Complaint resolution

EXISTING POLICY

Council Policy 7.3.1 *Legislative Management - Goals and Policies:*

Policy 7.3B.3 Prepare and update ordinances to reflect current community issues and concerns in compliance with state and federal laws.

Council 5.0 *Long-term Advocacy Positions - Socio-Economic:*

Policy 5.2.3 Supporting the quality of life in Sunnyvale, the City would support legislation to increase the current minimum wage or tie future increases to Consumer Price Index (CPI) or inflation.

ENVIRONMENTAL REVIEW

Adoption of the proposed ordinance is exempt from the requirements of CEQA in that it is not a project which has the potential for causing a significant effect on the environment. (CEQA Guidelines Section 15061(b)(3).)

DISCUSSION

Proposed Ordinance

The proposed ordinance creates Chapter 3.70 (Minimum Wage) of Title 3 of the Sunnyvale Municipal Code and requires employers, including the City, to pay a citywide minimum wage to all employees employed within the boundaries of the City of Sunnyvale. The provisions of the proposed ordinance include, but are not limited to:

- A minimum of \$10.30 per hour be paid by employers beginning January 1, 2015
- An adjustment to the minimum wage, every year on January 1, based on the prior year's CPI
- Employers' adherence to the higher minimum wage in the City of Sunnyvale even though the minimum wage rate is higher than the state and federal requirements

While the text of the proposed ordinance is very similar to the one adopted by the City of San Jose, Sunnyvale's ordinance also incorporates state provisions which are contained in San Jose's administrative regulations rather than the ordinance. For instance, state law allows offsets for meals and housing costs if there is a prior voluntary agreement between employee and employer; San Jose also allows the offset, but it is contained in the administrative regulations rather than the ordinance. For convenience to both employers and employees, Sunnyvale proposes to include substantive requirements in the ordinance itself, rather than in administrative regulations.

Implementation and Enforcement Options

As per Council direction, staff explored options for in-house and contract enforcement of the proposed ordinance. The enforcement model of the proposed ordinance is complaint-driven. There are two major phases needed for the implementation and enforcement of a minimum wage ordinance:

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1. Outreach & Education-actions include, but are not limited to:
 - a. Developing administrative guidelines for program implementation
 - b. Distributing materials regarding the ordinance to employers and employees
 - c. Creating a set of FAQs to respond to inquiries
 - d. Partnering with business associations to distribute information to employers and employees
 - e. Staff training
 - f. Translating documents into different languages as prescribed in ordinance
 - g. Updating information on annual basis
2. Administration & Enforcement-actions include, but are not limited to:
 - a. Informal resolution
 - i. Conducting investigations
 - ii. Informal resolution of complaints
 - iii. Receiving and distributing restitution checks for affected employees
 - b. Administrative Citation
 - i. Issuing administrative citations for non-compliance
 - ii. Implementing a process for due process hearings, including defending court appeals
 - iii. Pursuing civil action or other remedies if an employer does not respond to administrative citations
 - iv. Receiving and distributing restitution checks for affected employees

Staff explored the pros and cons of both options for the two phases needed to implement the ordinance. Below is a table outlining staff's findings:

In-House Enforcement	Pros	Cons
Outreach & Education	Familiarity with constituents	New program - lack of staff expertise
	Businesses familiar with staff	No enforcement infrastructure in place
	Aware of City's outreach requirements	
Administration & Enforcement		Higher cost due to lack of staff expertise
		Small number of anticipated complaints does not justify ongoing staffing costs
		No infrastructure in place to manage program
		Need to create program from scratch

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Contract Enforcement	Pros	Cons
Outreach & Education	Familiarity with ordinance	Not familiar with constituents
		Businesses unfamiliar with staff
		Not familiar with City of Sunnyvale's outreach requirements
Administration & Enforcement	Lower cost due to staff expertise and by leveraging existing staff resources already dedicated to this effort in San Jose	Not familiar with constituents
	Fully developed program in place	Employees having to go through another city for enforcement
	Staff familiar with Ordinance	

The City of Sunnyvale does not have infrastructure in place nor staff expertise to manage a minimum wage program. Currently, persons employed within the City rely on the State's Department of Industrial Relations to enforce any wage issues between an employee and their employer. Administration and enforcement of a minimum wage program for the City of Sunnyvale is not currently considered a core service. At a minimum, to implement a City of Sunnyvale minimum wage ordinance with City enforcement may require approximately 900 hours of staff time to conduct enforcement, outreach and update employee/employer notifications and guidelines.

Staff has explored both options and plans initially to pursue a hybrid model. Under the hybrid model, the City of Sunnyvale will complete the Outreach and Education phase in-house and contract with the City of San Jose for the Administration & Enforcement- Informal Resolution part of phase two. The City of Sunnyvale will coordinate with San Jose staff, but will have primary responsibility for the Administration & Enforcement-Administrative Citation part of phase two. This operational strategy is based on the fact that preliminary discussions with the City of San Jose suggest that contracting with San Jose will be more cost-effective than providing these services in-house. It also recognizes existing City resources: Sunnyvale is staffed to perform outreach and education functions, but lacks the expertise and resources to execute day-to-day enforcement functions. Given this type of program is new to the City of Sunnyvale and there is no existing City department that administers a similar program, the hybrid model will allow Sunnyvale staff time to become familiar with the program and determine whether other operational strategies should be pursued. The City already has provisions in the Sunnyvale Municipal Code for the issuance of administrative citations and staff will coordinate with the Office of the City Attorney to implement those administrative procedures when necessary.

FISCAL IMPACT

Based on preliminary discussions, the potential fiscal impact of entering into a contract with the City of San Jose may be up to \$30,000 per year. This amount could be lower or higher depending on the number of cases needing to be resolved. The contract with the City of San Jose will only cover administration and enforcement of typical cases; those needing to be moved to the administration

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citation phase will return to Sunnyvale for staff issuance of citations and coordination with the Office of the City Attorney. Costs for the outreach and education phase will be absorbed within the current budget.

In addition to the costs of outreach and enforcement, adopting this ordinance also affects the City's operating costs. The City employs a variety of casual and seasonal staff, primarily in the Recreation Division, who are paid at or below \$10.30 per hour. The state minimum wage is already set to rise to \$10 per hour in 2016. Had the minimum wage of \$10.30 been in place over the last fiscal year, it would have affected approximately 50 employees at a total cost of approximately \$25,000 for the year. Therefore, bringing Sunnyvale staff up to a higher wage will not significantly affect the cost of operations and can be absorbed in the current budget and adjusted for in future budgets. However, on a long-term basis, this ordinance changes the nature of budgeting for these personnel as the costs will subsequently be tied to CPI as opposed to directly under the City's control.

Staff is recommending that the \$30,000 per year for enforcement be funded from the General Fund Budget Stabilization Fund. Should this cost remain stable, this will have a 20-year impact of approximately \$750,000.

Budget Modification No. 16 has been prepared to appropriate \$30,000 from the Budget Stabilization Fund to a new project to fund minimum wage enforcement activities.

Budget Modification No. 16

FY 2014/15

	Current	Increase/ (Decrease)	Revised
General Fund			
<u>Expenditures:</u>			
New Project - Minimum Wage Ordinance Enforcement Reserves	\$ 0	\$30,000	\$30,000
Budget Stabilization Fund	\$38,371,772	(\$30,000)	\$38,341,772

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's website.

Staff also sent postcards stating time and location of this evening's Council meeting to businesses with valid business licenses. In addition, staff notified interested parties that attended outreach meetings in the past regarding this issue and posted information regarding the ordinance on the City's Facebook and Twitter pages.

ALTERNATIVES

1. Introduce an ordinance, as presented in Attachment 1, to add Chapter 3.70 (Minimum Wage) to Title 3 of the Sunnyvale Municipal Code to require the payment of a citywide minimum wage

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2. Find that the proposed ordinance is exempt from CEQA under CEQA Guideline 15061(b)(3)
3. Approve Budget Modification No. 16
4. Introduce an ordinance with modifications
5. Do not create Chapter 3.70 at this time

RECOMMENDATION

Alternatives 1, 2 and 3: Introduce an ordinance, as presented in Attachment 1, to add Chapter 3.70 (Minimum Wage) to Title 3 of the Sunnyvale Municipal Code to require the payment of a citywide minimum wage; Find that the proposed ordinance is exempt from CEQA under CEQA Guideline 15061(b)(3); and Approve Budget Modification No. 16 to fund the hybrid enforcement model.

Staff developed the ordinance in accordance with Council's direction on May 20, 2014. Staff also explored options for contract and in-house enforcement of a minimum wage program. Staff plans initially to implement a hybrid enforcement model based on discussions with San Jose and the limited resources currently available within the City of Sunnyvale. This ordinance creates a new minimum wage program for the City of Sunnyvale and there is no existing City department to administer such a program. The hybrid enforcement model will allow Sunnyvale staff time to become familiar with the program and determine whether other operational strategies should be pursued.

Prepared by: Connie Verceles, Economic Development Manager

Reviewed by: Joan Borger, City Attorney

Reviewed by: Robert A. Walker, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Sunnyvale Draft Ordinance

MEMORANDUM



CITY OF CAMPBELL

City Manager's Office

To: Honorable Mayor and City Council
Via: Mark Linder, City Manager *ML*
From: Oscar Murillo, Graduate Intern *OM*
Subject: Council Study Session on Minimum Wage

Date: May 19, 2015

PURPOSE

The purpose of the May 19, 2015 Council Study Session is to review and discuss the Council's interest in considering legislation to establish a minimum wage ordinance.

BACKGROUND

The issue of the minimum wage has long been a topic of contention among economists, business owners, union leaders, and public officials, with countless studies showing both the positive and negative effects related to increasing it. As with many other laws, it can be regulated at the federal, state, county, and city levels. While a federal minimum wage exists, as of February 2015, 29 states and the District of Columbia have enacted their own minimum wage laws above the federal rate. Similarly, as of December 2014, four counties and 15 cities in the U.S. had minimum wage ordinances exceeding their respective state rates, as well as five other cities with proposed ordinances (Attachment 1).

Beginning July 24, 2009, the federal minimum wage was raised to \$7.25 per hour for covered nonexempt employees. The provisions of the federal minimum wage are contained in the Fair Labor Standards Act. The federal minimum wage primarily regulates hourly wage, overtime pay, child labor, and tip credit, although some occupations and establishments are exempt from minimum wage and/or overtime pay provisions. Exceptions apply under specific circumstances to workers with disabilities, full-time students, youth under 20 years of age, tipped workers, and student-learners.

States may also enact minimum wage laws with higher minimum wage rates and/or greater employee protections than that of federal law. Employers within those states' borders must comply with both federal and state laws. Beginning July 1, 2014, the State of California increased its minimum wage rate to \$9.00 per hour for all industries, and is scheduled to increase to \$10.00 per hour effective January 1, 2016. While California's minimum wage law also provides some exemptions, almost all employees in the state must be paid the minimum wage rate.

As cities and counties may enact minimum wage ordinances, differences in regional costs of living provide the primary reason for doing so. The San Francisco Bay Area (Bay Area) is often referred to as having a high cost of living compared to the rest of the nation and state. According to the 2013 Council for Community and Economic Research's (C2ER) Cost of Living Index, the San Jose-Sunnyvale-Santa Clara, CA metropolitan area had a cost of living index score that was 49.3% higher than the national average. During the period from 2009-2013, its average cost of living index score was 52.8% higher than the rest of the nation. Compared to the ten California metropolitan areas surveyed by C2ER, its 2013 cost of living index score was also 21.2% higher (Attachment 2).

In the Bay Area, the cities of Berkeley, Emeryville, Mountain View, Oakland, Richmond, San Francisco, San Jose, and Sunnyvale have enacted or approved minimum wages ordinances ranging from \$9.60 per hour to \$14.44 per hour (Attachment 1). Further, the City of San Jose's minimum wage ordinance has been tied to the Consumer Price Index (CPI) to automatically increase each year based on the previous year's cost of living increase. The City of Sunnyvale has also modeled its ordinance based on San Jose's, and the City of Mountain View adopted a work plan on March 31, 2015 to reach a minimum wage of \$15.00 per hour by 2018. Attachment 3 shows Mountain View's minimum wage increase schedule, work plan actions, and corresponding staff report. Additionally, the City of Morgan Hill is currently studying the possibility and effects of tying its minimum wage to the CPI, and the City of Palo Alto will be reviewing a recommended minimum wage ordinance by its Policy and Services Committee.

Theoretical Models and Studies

The literature on the minimum wage has typically followed one of three routes: efficiency at reducing poverty, effect on low-wage employment and hours worked in all industries, and effect on employment and hours worked in low-wage industries. While studies on the first two have generally been consistent in their findings of minor negative employment effects, there is often mixed evidence on the effect of minimum wage increases on low-wage industries, such as retail and restaurants. The two principal labor market models utilized in this field, standard competitive and dynamic monopsony, provide differing methods of interpreting the effect of minimum wage increases on labor markets. Though their predictions of negative employment effects and no employment effects, respectively, are not always aligned, they are also not mutually exclusive.

The standard competitive model, or supply-demand model, has traditionally remained prominent with economists studying the minimum wage as resulting in negative employment effects. In its simplest form it states that as the price of goods or services increases, the demand for them decreases. When organizations experience increased labor costs due to a minimum wage increase, they respond in one or a combination of the following: reduction in the number employees, reduction in employee hours worked, increased prices to consumers, reduced profits, reduced expansion or development, increased use of tipped workers, reduced worker training, and reduced worker fringe benefits.

The dynamic monopsony model has in recent years grown in use with studies providing evidence contrary to the assumptions of the standard competitive model. The model asserts that organizations have the ability to establish increased wages to attract employees and reduce costs related to recruitment. Organizations then offset all or part of increased labor costs by attracting more qualified and productive employees, and experiencing reduced employee turnover and training costs. Studies utilizing each of the models have drawn criticism, and at times have been replicated using the same or similar data to provide differing outcomes and interpretations. The following is a brief overview of a few of the major models and studies related to federal, state, and local minimum wage increases and their effect on employment and consumers.

I. Restaurants and Retail

Restaurant and retail establishments have long been popular subjects for minimum wage studies because of the high percentage of low-wage workers they tend to employ. Research by Aaronson, French and MacDonald (2008) found restaurant prices to increase 0.072% for every percentage point increase in the minimum wage. Allegretto and Reich (2014) also found similar estimates for San Jose's minimum wage increase of 25% in 2013. Lee et. al. (2000) and Benner and Jayaraman (2012) found restaurant operating costs to increase by roughly 0.1% for each percentage point increase in the minimum wage. These studies suggest that 70-75% of cost increases are passed on to customers as increased restaurant prices (Reich et. al., 2014).

However, research on full-time equivalent employment by Ropponen (2011) found positive employment effects for small fast-food restaurants and negative employment effects for large fast-food restaurants. Dube, Lester, and Reich (2010) compared differences in restaurant employment across 1,381 counties, between 1990 and 2006, with different minimum wage levels. The study found no negative employment effects and identified a flaw in previous research of failing to identify and account for regional employment trends that resulted in negative employment effects unrelated to the minimum wage (Schmitt, 2013).

Sabia (2009) examined the effects of minimum wage increases on retail employment and hours worked. Using monthly data from the 1979-2004 Current Population Survey (CPS), the study suggested modest reductions in retail employment with a 10% increase in the minimum wage leading to a 1.1% reduction in employment. Employees' average weekly hours worked remained unchanged, though teenagers employed in the retail sector experienced a 3.4% to 3.8% reduction in employment and a 3.8% to 4.2% reduction in hours worked.

Addison, Blackburn, and Cotti (2009) examined the employment effects of minimum wage increases on the retail sector and its specific subsectors. The study found little support for disemployment effects resulting from increases in minimum wages, and in some instances modest increases in employment. A possible explanation for increases in employment is that workers' hours were instead reduced, but other studies (Zavodny, 2000; Sabia, 2009) have shown that to not be the case.

In regard to restaurant employee turnover, Dube, Lester and Reich (2013) found that a 10% increase in the minimum wage results in a 2.1% decrease in turnover. Boushey and Glynn (2012) found that the median replacement cost for jobs paying less than \$30,000 per year is 16.1% of an employee's salary. Associated reductions in employer's recruitment and retention costs then offset roughly 20-25% of increased labor costs related to minimum wage increases (Dube, Lester and Reich, 2013). Additionally, studies have found that paying employees increased wages can affect morale, absenteeism, the number of grievances, customer service, and work effort among other metrics (Reich, Jacobs and Dietz, 2014; Hirsch, Kauffman and Zelenka, 2011).

Studies have shown mixed results in regard to retail and restaurant employment, but have remained consistent in findings of relatively modest increases in fast food and restaurant prices.

II. Teenage Employment

The effect of minimum wage increases on teenage employment has also been explored, to a lesser degree, because of the large percentage of teenage employees with low-wage jobs. Zavodny (2000) studied the effects of minimum wage increases on teenage employment and hours worked using state- and individual-level U.S. panel data. The study used state annual averages to examine the effects on aggregate teen employment and average weekly hours worked. The study found that in the short-term, employers may choose to reduce hours instead of employment for reasons related to employee morale, but that in the long-term, natural attrition may take effect. From the state-level data, the study found that minimum wage increases may reduce employment rates but have no significant effect on teen hours worked. The individual-level data also led to results that failed to indicate a significant effect in the reduction of low-wage teenage hours worked.

Alegretto, Dube, and Reich (2011) performed an analysis of the effect of minimum wage increases on teenage employment using CPS data from 1990-2009. The study found no significant disemployment effects in regard to teenagers. Other more recent studies (Meer and West, 2013; Giuliano, 2013) have also resulted in similar findings.

Coomer and Wessels (2013) studied the effects of minimum wage increases on covered teenage employment, as opposed to previous studies having examined total teenage employment. Covered employment is defined as positions with wages at or above the minimum wage, and does not include tipped workers or those earning youth subminimum wages. The study analyzed the probability that teenage workers would be in a covered job in periods of increased minimum wages, and found that increases in the minimum wage negatively affected covered employment at a significantly higher rate than total employment, with the effect being more pronounced with low-skilled teenagers.

III. Meta-Studies

As a whole, the previously mentioned studies show evidence in support of both the standard competitive and dynamic monopsony labor market models. Schmitt (2013) in his analysis of minimum wage studies conducted in the previous twenty years concluded that “the minimum wage has little or no discernible effect on the employment prospects of low-wage workers.” Schmitt stated reasons for this occurrence to be related to the small part that labor increases constitute in overall firm costs. While reductions in employment may occur, it is believed that other reductions may also occur, such as those associated with the dynamic monopsony model. Organizational responses may differ on a case-by-case basis, but do not significantly impact overall low-wage employment prospects. Other meta-studies (Doucouliagos and Stanley, 2009; Wolfson and Belman, 2014) have found similar findings for low-wage employment and teenage employment, respectively. With this in mind, the Congressional Budget Office (Elmendorf, 2014) performed a study to predict the effects of a federal minimum wage increase. Its review of the literature led to the use of an assumption that a 10% increase in the minimum wage would lead to a 0.33% decrease in adult employment and a 1% decrease in teen employment (Acs et. al., 2014).

IV. City-Level

Much of the earlier literature had focused on the effects of federal and state minimum wages, but in recent years as local jurisdictions have begun to establish local minimum wage ordinances, the focus has experienced a shift toward the employment effects of local minimum wage laws. While minimum wage laws have the same direct effect of raising hourly wages, the indirect effects on employment may not necessarily translate equally across entire states as it would in individual cities. Differing economic conditions and other factors prevent a generalization of all the assumptions and outcomes of the labor market models from the state level to the local level. Previous studies are also limited in scope by the extent of minimum wage increases, which at the federal and state level tend to be smaller than those implemented by cities. Recent research related to minimum wage ordinances in the cities of San Francisco, San Jose, Santa Fe, and Washington D.C. have provided new insights into the economic and employment impacts of larger increases in the minimum wage specific to individual cities.

Dube, Naidu, and Reich (2007) studied the economic impacts of San Francisco’s citywide minimum wage ordinance of 2004, a 26% increase from California’s minimum wage at the time. The study consisted of a survey of table-service and fast-food restaurants. Using county-level Quarterly Census of Employment and Wages data, San Francisco was compared to the control group of neighboring Alameda County. The study found there to be no detectable employment losses resulting from the minimum wage ordinance, with evidence of increased worker pay and reduced wage inequality. Additionally, fast-food restaurants experienced minimal price increases with considerable increases in the proportion of full-time employees and job tenure. The findings provided support for both labor market models, as

prices of meals increased slightly, employment levels stayed consistent, and job quality and worker attachment increased. It also suggested evidence countering some of the larger negative and positive employment effects characterized by previous studies.

Potter (2006) studied the employment effects of Santa Fe, New Mexico's minimum wage ordinance of 2004 (for large businesses: 25 or more employees), a 65% increase from the state minimum wage. Comparing average quarterly earnings from the year prior to and after the increase to that of the neighboring city of Albuquerque, the study found there to be an increase in worker earnings and no negative employment effects. The retail, accommodations, and food service sectors also experienced larger job growth and employee earnings compared to large Albuquerque businesses and small Santa Fe businesses (fewer than 25 employees). However, the construction industry experienced decreased job growth and employee earnings compared to the same groups. Potter attributed this effect on the construction industry with other trends and factors unrelated to the minimum wage increase.

Schmitt and Rosnick (2011) analyzed the effects on employment and wages resulting from minimum wage ordinances in San Francisco, Santa Fe, and Washington D.C. The study found results indicating increased worker earnings with no detectable negative employment effects in the cities of San Francisco and Santa Fe. No conclusions regarding the Washington D.C. minimum wage ordinance of 1993 were reached since the increase was seen as too small, not sufficiently expansive, and not properly enforced to create detectable effects on employment.

Acs et. al. (2014) performed a study to predict the employment effects of Washington D.C.'s minimum wage increase of 39% set for 2016. Using employment data from the American Community Surveys (ACS) from 2009-2011, and an assumption of a 1.1% decline in total employment resulting from a 10% increase in the minimum wage, the study predicted a small impact on earnings, employment, and income, similar to that experienced by San Francisco from 2004-2011. The study alluded to possible explanations for a lack of significant disemployment effects resulting from employers raising prices, experiencing reduced worker turnover and increased productivity, and reducing workers' noncash compensations.

Reich (2012) performed a predictive analysis of San Jose, California's 25% minimum wage increase in 2013. Using 2010 ACS county-level data to estimate the number of affected workers and its impact on firms, Reich found that firms would likely experience an increase of labor costs of under 0.25% and would accommodate such costs through increased productivity and reduced worker turnover. The economy was also predicted to experience growth of roughly \$190 million per year in spending due to increased worker earnings, which in turn would generate roughly 200 new jobs in the area. However, restaurants were predicted to increase prices by up to \$0.71, with other industries experiencing smaller increases. Data released by the City of San Jose (retrieved from the California Employment Development Department, San Jose Downtown Association, and U.S. Bureau of Labor Statistics) one year after implementation of the minimum wage increase shows that "unemployment was reduced, the number of businesses grew, the number of minimum wage jobs expanded, average employee hours remained constant and the economy was stimulated" (Myers-Lipton and Quyo, 2014, p. 1). While these results may be affected by

other economic factors, and may have resulted even without the implementation of a minimum wage ordinance, they suggest that disemployment effects are likely to not have had a significant effect on employment.

ANALYSIS

Minimum Wage Survey of Campbell Businesses

The Campbell City Manager's Office conducted a survey of Campbell businesses to study the employment effects of a minimum wage ordinance that would increase Campbell's currently utilized California minimum wage rate of \$9.00 per hour to a rate of \$10.30 per hour. The figure of \$10.30 per hour was selected based on its use by the cities of San Jose, Mountain View, and Sunnyvale. Employment effects were focused on changes in the amount of workers employed, workers' average weekly hours, the price of goods/services to consumers, probability of expansion/development, and worker productivity, morale, and turnover.

The survey consisted of four background questions and 14 multiple-choice situational questions asking participants for their professional opinion of how they or their organization's management would respond to a \$1.30 per hour minimum wage increase. Attachment #4 shows the full list of questions included in the survey.

Participants for the minimum wage survey were selected using a database of listings from the City's business license directory. The City's directory contains over 5,000 active business licenses, but also includes home businesses located within apartment complexes, businesses with two or fewer employees, and businesses located outside of the City limits. For the purposes of the survey, those businesses were not included in the participant list. The survey and a self-addressed stamped envelope were then sent to the remaining 1,236 businesses on April 3, 2015, with a requested return date of April 13, 2015. Surveys were received and counted until April 17, 2015.

A total of 357 completed surveys were returned, with 36 surveys having come back marked as undeliverable, insufficient address, no mail receivable, no such address, or address unknown. Accounting for undeliverable surveys, the survey's response rate was 29.75%, with a total of 357 of 1,200 surveys completed and returned. Attachment #5 shows a full listing of survey results. The following are a few of the survey's major findings:

- 94.5% of respondents were either business owners or managers.
- 77.8% of respondents had 15 or fewer employees in their organization.
- 77.4% of respondents had between 0% – 10% of their employees earning the minimum wage rate.

- 74.8% of respondents would 'definitely not' or 'probably not' eliminate (and not replace) any positions to compensate for increased labor costs.
- 66.7% of respondents would 'definitely not' or 'probably not' increase the hourly wages of any higher-paying positions following a minimum wage increase.
- 74.5% of respondents would 'definitely not' or 'probably not' reduce employee work hours to account for increased labor costs.
- 61.1% of respondents would 'definitely not' or 'probably not' increase prices to customers to account for increased labor costs.
- 84.4% of respondents listed a minimum wage increase as being 'highly unlikely' or 'unlikely' to cause their establishment to move to another city with a lower minimum wage rate.
- 75.5% of respondents would support a minimum wage increase if it led to increases in employee productivity, employee retention, employee morale, and the level of employee qualifications, to offset all or part of the increased labor costs associated with a minimum wage increase.
- 62.7% of respondents would not support a minimum wage increase if it did not lead to increases in employee productivity, employee retention, employee morale, and the level of employee qualifications, to offset all or part of the increased labor costs associated with a minimum wage increase.

Survey respondents listed anticipated behaviors more closely aligned with a combination of the standard competitive and dynamic monopsony labor market models. While this may imply minor disemployment effects, or none, it is difficult to generalize the results as a necessarily accurate prediction. Additionally, the applicability of previous studies and data from other cities may not fully apply in the same manner to jurisdictions of different sizes. Other environmental and economic factors may also play a role in the determination of how establishments and economies respond, such as interest rates, unemployment levels, revenue trends, and political climate, regardless of how business owners and managers anticipate they will respond. As there is no control group to compare minimum wage increases with, studies cannot truly show causation. Ultimately, long-term studies will provide a clearer understanding of the effects of minimum wage increases in the context of individual jurisdictions.

In the case of the Campbell survey, the results are similar to those conducted by the cities of San Jose, Mountain View, and Sunnyvale (Attachment #3). The survey's participant size, response rate, and respondent characteristics provide an acceptable sample to reasonably generalize results to the non-respondent group.

FISCAL IMPACTS

As indicated in the literature, a minimum wage increase may result in modest increases in restaurant prices. If so, consumer spending may be affected. If spending were to decrease, Campbell's sales tax revenue would be negatively affected. If spending were to remain constant, sales tax revenue would be positively affected due to sales tax being collected on increased restaurant prices.

However, if employees working in Campbell were to have increase earnings, there is a possibility of increased consumer spending in Campbell. If so, sales tax revenue would be positively affected. Additionally, if consumer spending were to increase in Campbell, there is a possibility of experiencing job growth to accommodate additional consumer spending.

The City has various temporary part-time non-benefitted positions that pay the minimum wage. Most of these positions are held during the summer months in the Recreation and Community Services Department. In FY 2013/2014, the City paid out \$24,097 for all positions earning the minimum wage, a figure equaling roughly 0.13% of total City payroll costs. During that time, the California minimum wage was \$8.00 per hour. By converting the FY 2013/2014 minimum wage payroll cost to the current minimum wage rate of \$9.00 per hour, the figure increases to an estimated \$27,109 for the current fiscal year. By multiplying the percentage difference from \$9.00 to \$10.30 (14.44%) to the \$27,109 amount, the result in an estimated difference of roughly \$3,915 in payroll costs for the current fiscal year following a minimum wage increase to \$10.30 per hour.

Staff enforcement costs to track and ensure compliance with a minimum wage ordinance would also be incurred by the City. Some of those costs may be offset by the collection of penalties from noncompliant employers. The contracting of minimum wage enforcement, such as the partnership between the cities of Mountain View and San Jose, may also result in decreased staff enforcement costs.

CONCLUSION

Based on the City Manager's Office's recent survey responses, there seems to be some measure of support for an increased minimum wage, so long as business owner or operators believe that the increase will lead to higher employee productivity, morale and tenure, and higher-qualified applicants to offset some of the costs associated with a minimum wage increase. It is difficult to generalize the results from the literature and data from other cities because of differing population sizes and economic conditions. However, based on other cities having implemented minimum wage ordinances, significant negative employment effects have not been present.

At the May 19, 2015 City Council Study Session, the Council will discuss the topic of the minimum wage and provide direction to staff on whether or not to further explore considerations for enacting a minimum wage ordinance similar to what has been done in the charter cities of San Jose, Mountain View, and Sunnyvale.

Attachments:

- 1 – Minimum Wage Ordinances in the U.S. and Bay Area
- 2 – Cost of Living and Demographic Charts
- 3 – Mountain View Minimum Wage Efforts, Staff Report, and Survey Results
- 4 – City of Campbell Minimum Wage Survey
- 5 – City of Campbell Minimum Wage Survey Results
- 6 – Studies Referenced

As of December 2014

Fig 1. Local Minimum Wage Ordinances in the U.S.

Passed in 2003	Minimum Wage	Passed in 2014 (cont'd)	Minimum Wage
Santa Fe, NM	\$10.66	Chicago, IL	\$13.00 (by 2019)
San Francisco, CA	\$10.74	San Francisco, CA	\$15.00 (by 2018)
Passed in 2012	Minimum Wage	Seattle, WA	\$15.00 (by 2018-21)
Albuquerque, NM	\$8.60	Current Proposals	Proposed Rate
San Jose, CA	\$10.15	Washington, DC	\$15.00 (by 2019)
Passed in 2013	Minimum Wage	Los Angeles, CA – Mayor	\$13.25 (by 2017)
Bernalillo County, NM	\$8.50	Los Angeles, CA – City Council	\$15.25 (by 2019)
Washington, DC	\$11.50 (by 2016)	New York, NY	\$13.13 (by 2016)
Montgomery County, MD	\$11.50 (by 2017)	Portland, ME	\$10.68 (by 2017)
Prince George's County, MD	\$11.50 (by 2017)	Louisville, KY	\$10.10 (by 2017)
SeaTac, WA	\$15.00		
Passed in 2014	Minimum Wage		
Las Cruces, NM	\$10.10		
Santa Fe County, NM	\$10.66		
Mountain View, CA	\$10.30 (by 2015)		
Sunnyvale, CA	\$10.30 (by 2015)		
San Diego, CA	\$11.50 (by 2017)*		
Oakland, CA	\$12.25 (by 2015)		
Berkeley, CA	\$12.53 (by 2016)		
Richmond, CA	\$13.00 (by 2018)		

*San Diego increase awaits review by voters in 2016

Local Minimum Wages Have Become Mainstream Policy Tools in Diverse Cities Across the Country

Over the past year, an unprecedented number of cities and counties have moved to adopt higher local minimum wages. In addition, cities are proposing substantially higher wage levels than in past years (see Fig 1). Indicative of this new wave of action around local minimum wages was the U.S. Conference of Mayors' "Cities of Opportunity Task Force" in August of 2014, which endorsed higher city minimum wages as key tools for fighting income inequality at the local level.²

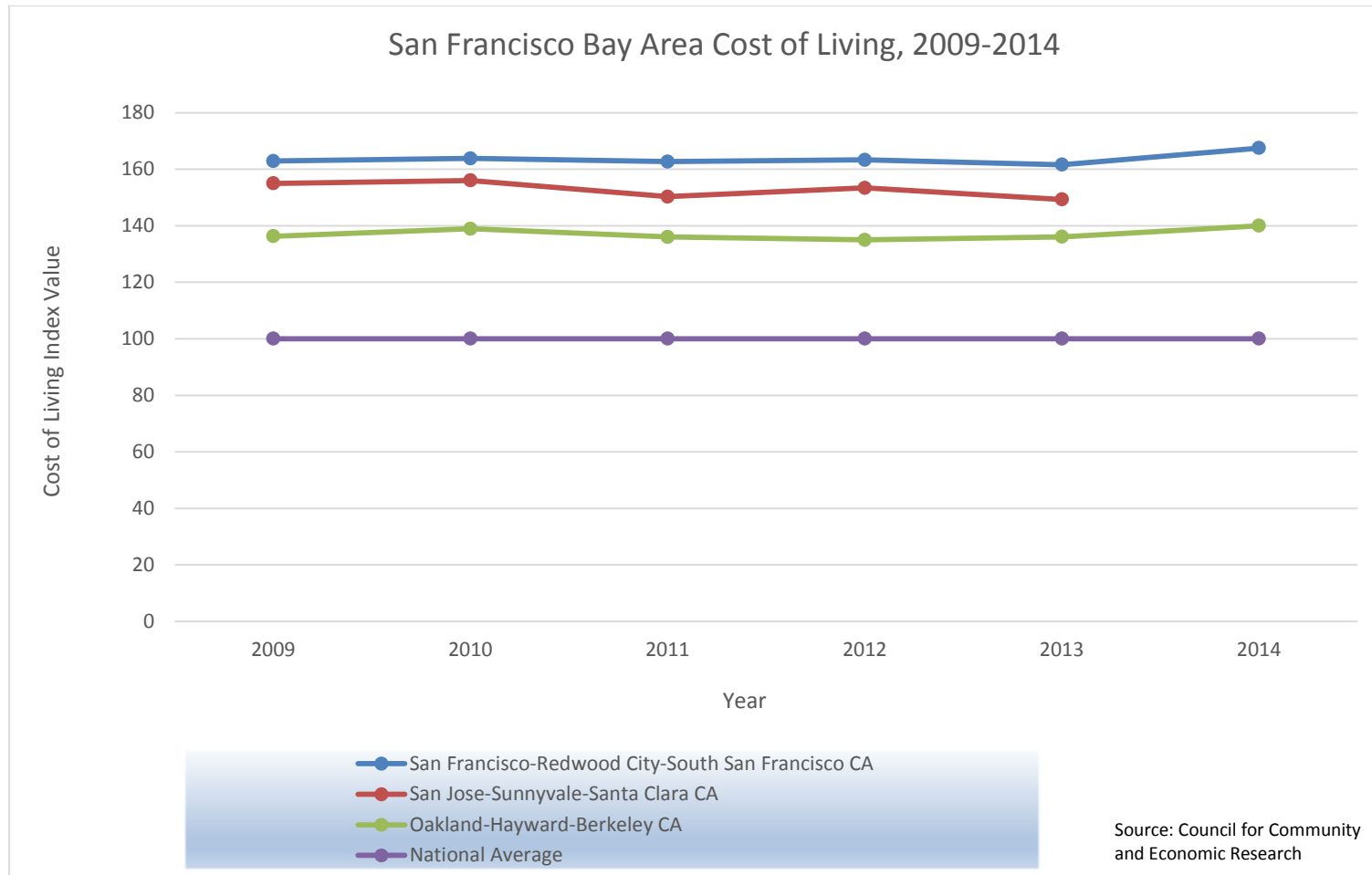
Source: National Employment Law Project. Retrieved from <http://www.nelp.org/content/uploads/2015/03/City-Minimum-Wage-Laws-Recent-Trends-Economic-Evidence.pdf>

Bay Area Minimum Wage Ordinances

City	Ordinance Adopted	Current Hourly Minimum Wage Rate	Notes
Berkeley	6/27/2014	\$10.00 \$11.00 on 10/1/2015 \$12.53 on 10/1/2016	Passed by the City Council.
Campbell	-	\$9.00	The City Council will hold a study session on 5/19/2015 to examine the issue of a minimum wage ordinance.
Emeryville	5/5/2015	\$9.00 \$14.44 (for large businesses) on 7/1/2015 \$12.25 (for small businesses) on 7/1/2015 \$13.00 (for small businesses) on 7/1/2016 \$14.00 (for small businesses) on 7/1/2017 \$15.00 (for small businesses) on 7/1/2018 \$16.00 (for small businesses) on 7/1/2019	Passed by the City Council. Small business classification for those with fewer than 55 employees. Minimum wage rate for large businesses will be tied to the Consumer Price Index (CPI) and increase each July 1 starting in 2016.
Morgan Hill	-	\$9.00	The City Council has directed staff to study the issue of a minimum wage ordinance tied to the CPI.
Mountain View	10/9/2014	\$9.00 \$10.30 on 7/1/2015 \$12.00 on 7/1/2016 \$13.50 on 7/1/2017 \$15.00 on 7/1/2018	Passed by the City Council. Tied to the CPI after 2018.
Oakland	11/4/2014	\$12.25	Voter-initiated ordinance (Measure FF). Tied to the CPI, will increase January 1 of each year.

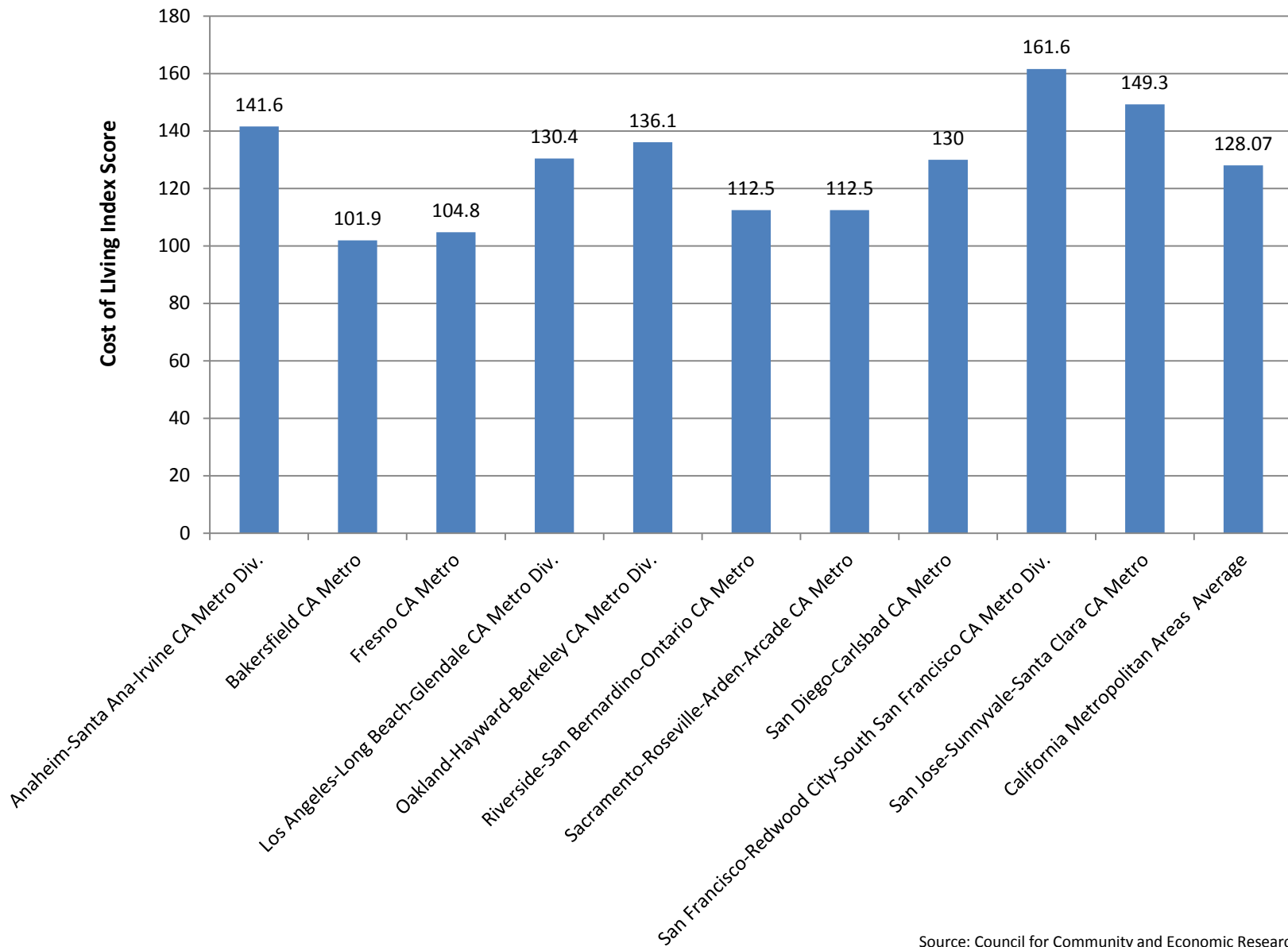
City	Ordinance Adopted	Current Hourly Minimum Wage Rate	Notes
Palo Alto	-	\$9.00	The City Council Policy and Services Committee endorsed the following minimum wage rate schedule on 4/28/2015: \$11.00 on 1/1/2016, which would gradually climb to \$15.00 by 2018 through increments approved by the City Council.
Richmond	5/6/2014	\$9.60 \$11.52 on 1/1/2016 \$12.30 on 1/1/2017 \$13.00 on 1/1/2018	Passed by the City Council. Employers who pay less than 800 hours of employee wages over a two-week period are exempt. Employers who derive more than 50% of their income where the point of sale is outside the city must pay an intermediate wage halfway between the city and state minimum wage.
San Francisco	11/4/2003	\$12.25 \$13.00 on 7/1/2016 \$14.00 on 7/1/2017 \$15.00 on 7/1/2018	Voter-initiated ordinance (Measure J). Tied to the CPI after 2018.
San Jose	3/11/2013	\$10.30	Voter-initiated ordinance (Measure D). No exceptions. Tied to the CPI, will increase January 1 of each year.
Sunnyvale	10/14/2014	\$10.30	Passed by the City Council. Based on San Jose's ordinance.

Charts



Index average for all participating places, both metropolitan and nonmetropolitan, is 100. An index value of 150 indicates a 50% higher cost of living compared to an index score of 100. The San Jose – Sunnyvale – Santa Clara metropolitan area did not provide data for 2014.

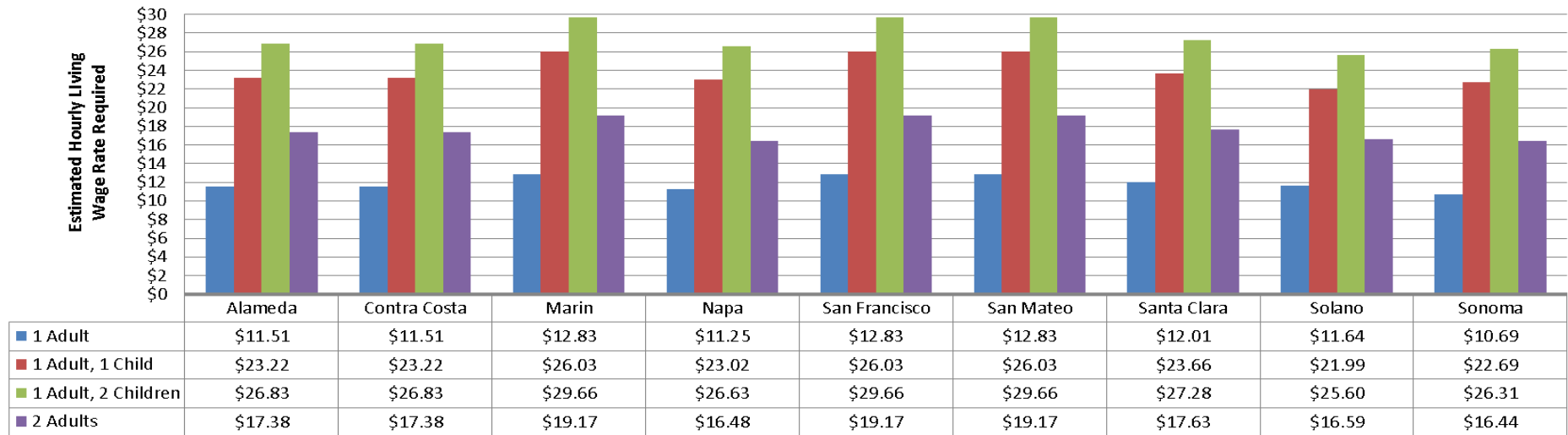
California Metropolitan Areas Cost of Living Index, 2013



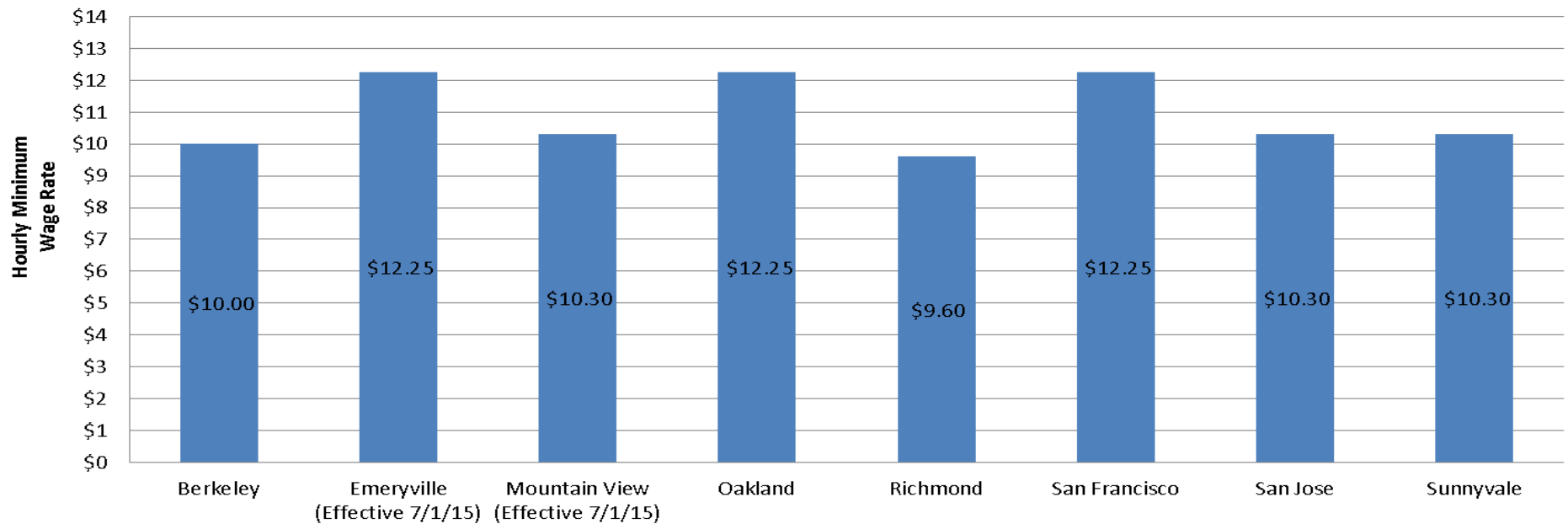
Source: Council for Community and Economic Research

Bay Area Counties Estimated Living Wage Rates, 2010

Source: Dr. Amy K. Glasseier and
Massachusetts Institute of Technology

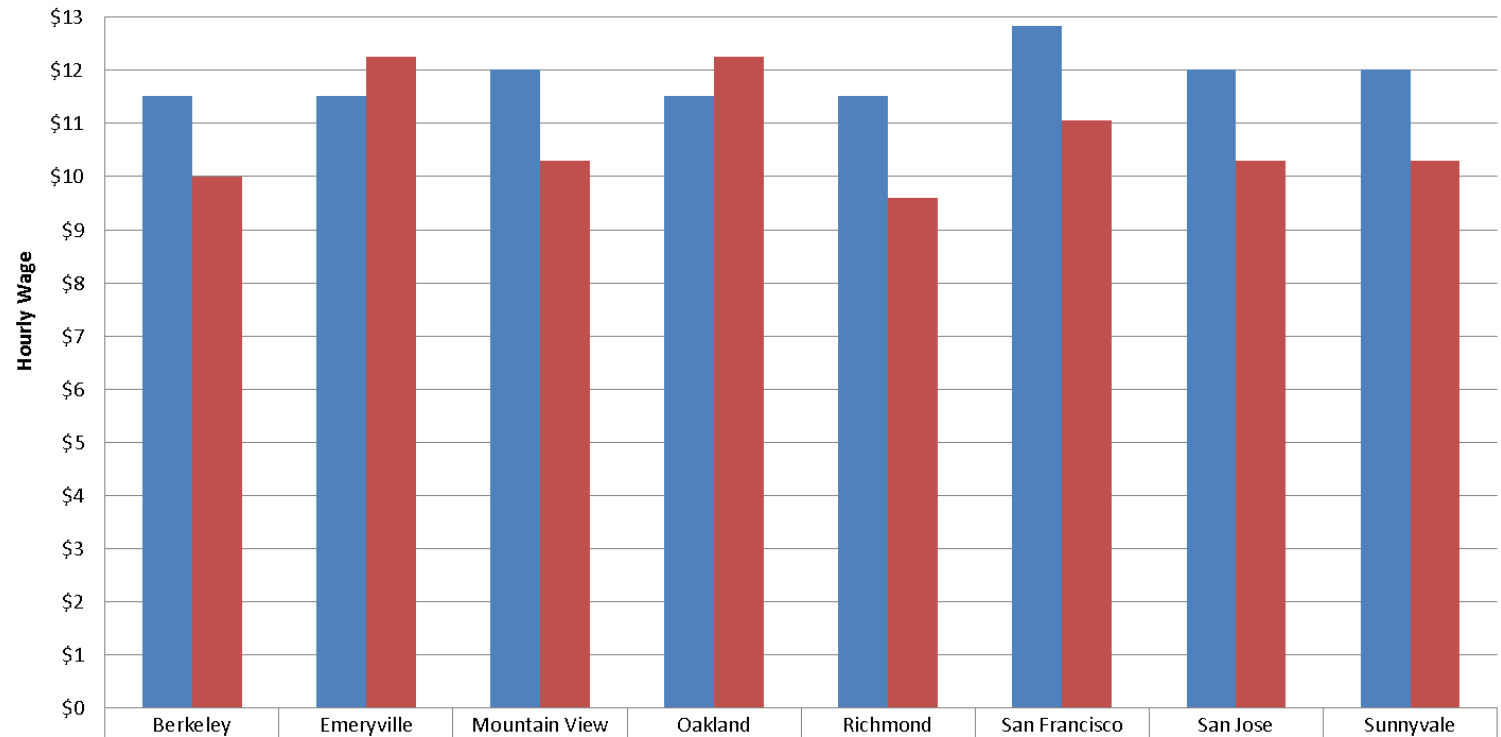


Bay Area Cities with Minimum Wage Ordinances, May 2015



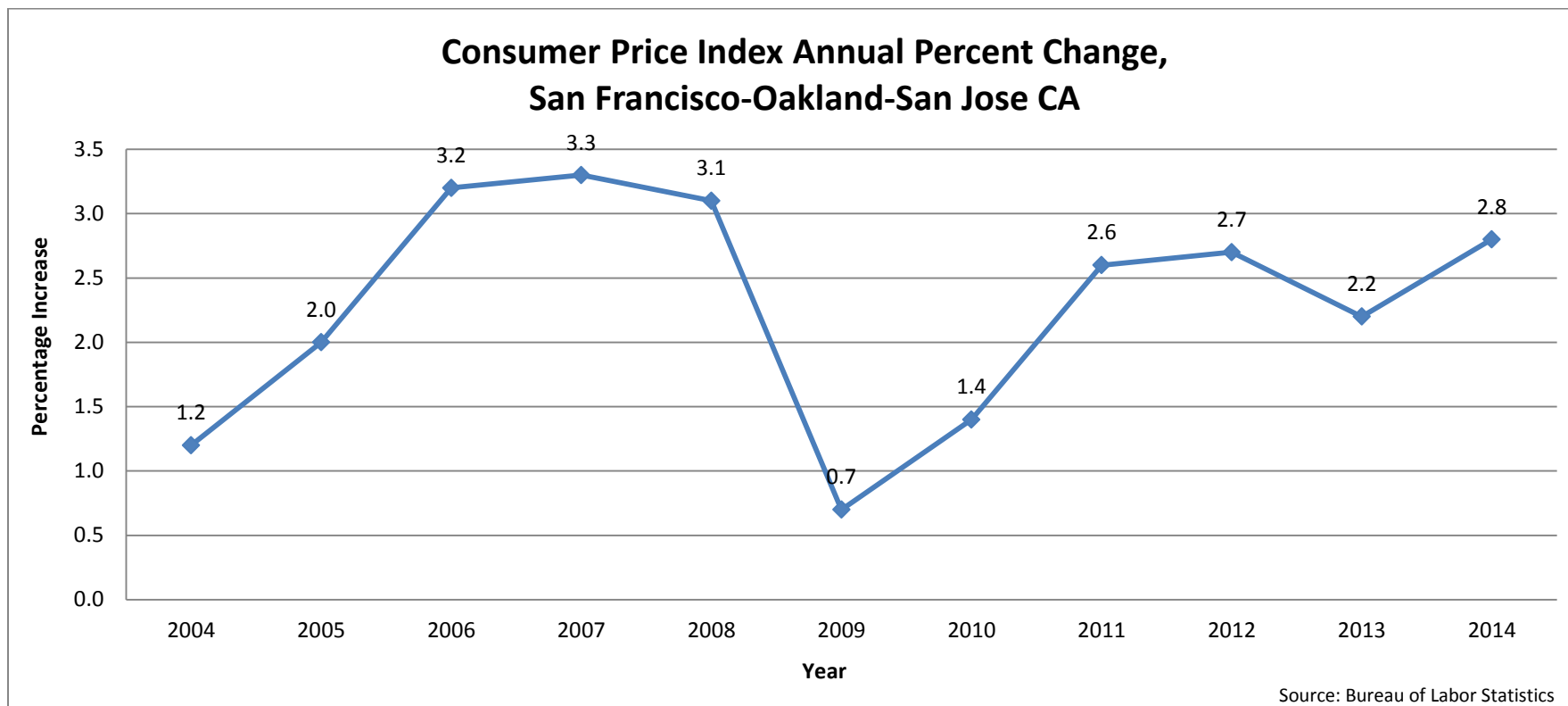
Source: Respective City Websites

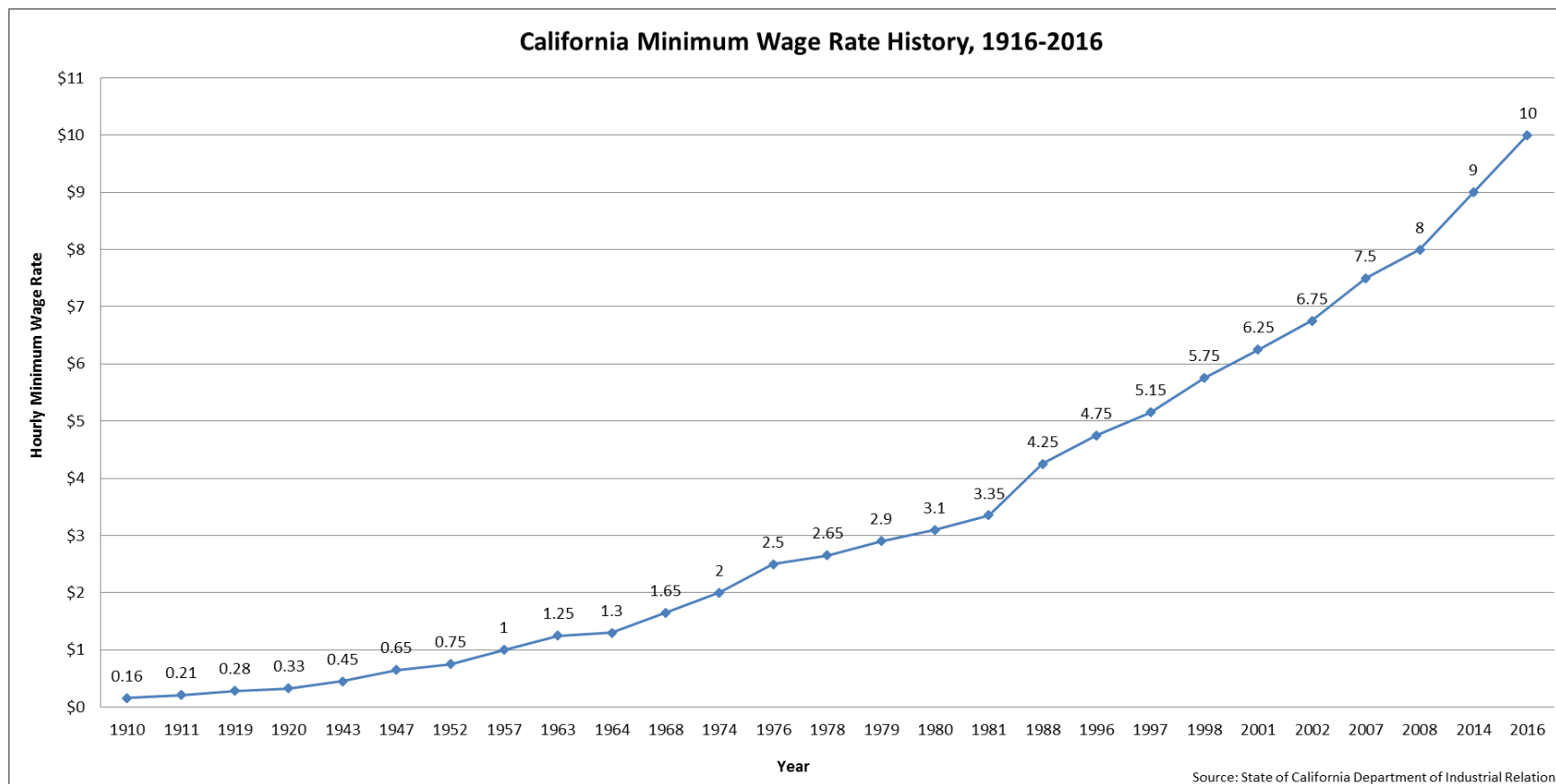
2010 Estimated Living Wage and 2015 Minimum Wage Comparison

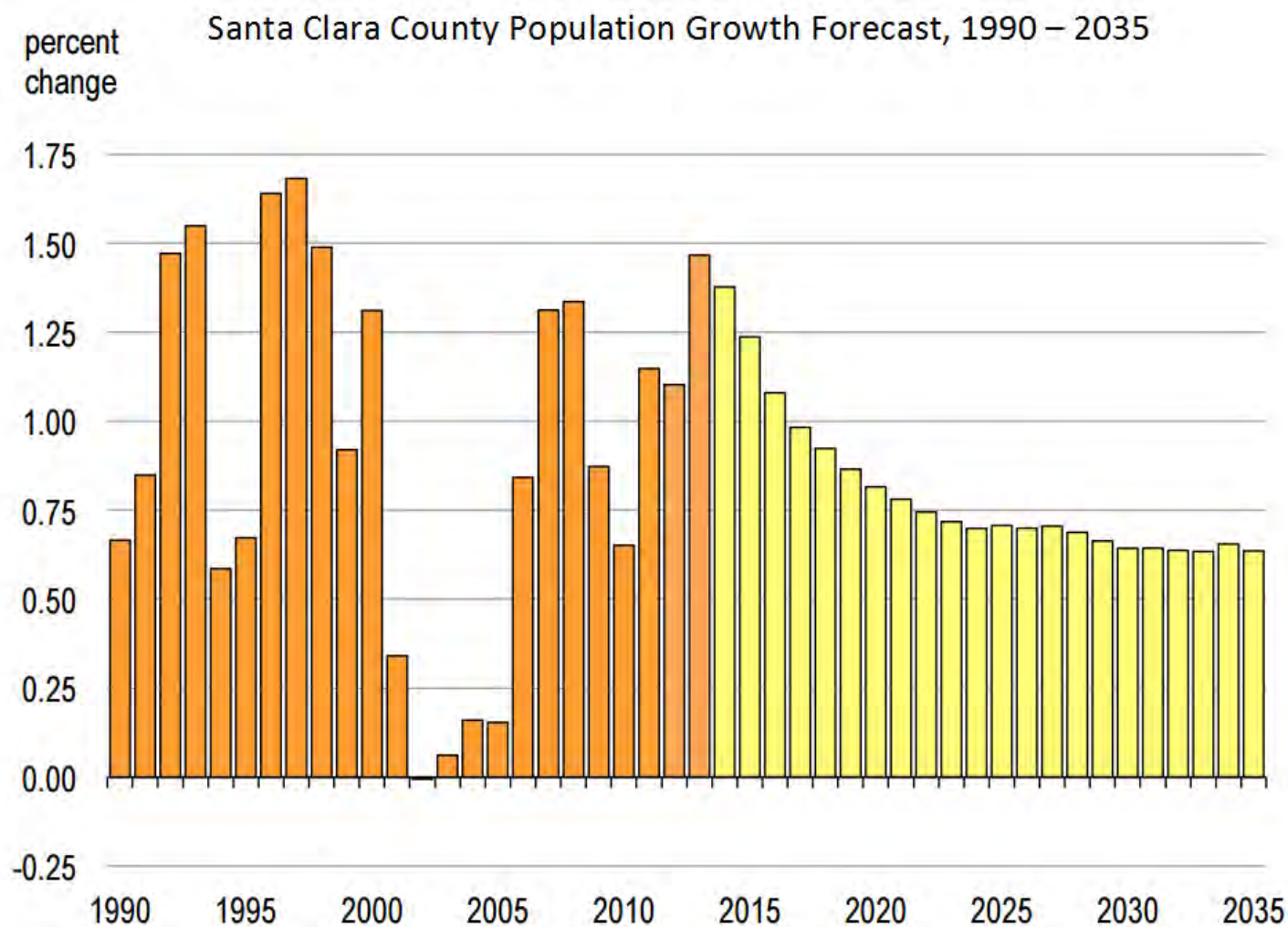


Source: Dr. Amy K. Glasmeier and
Massachusetts Institute of Technology

■ 2010 Living Wage Rate for 1 Adult	\$11.51	\$11.51	\$12.01	\$11.51	\$11.51	\$12.83	\$12.01	\$12.01
■ 2015 Minimum Wage Rate	\$10.00	\$12.25	\$10.30	\$12.25	\$9.60	\$11.05	\$10.30	\$10.30







Retrieved from California Department of Transportation,
http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2014/SantaClara.pdf

Santa Clara County Economic and Demographic Indicators

Projected Economic Growth (2014-2019)

Expected retail sales growth:	16.6%
Expected job growth:	10.0%
Fastest growing jobs sector:	Professional Services
Expected personal income growth:	23.3%

Expected population growth:	5.2%
Net migration to account for:	32.3%
Expected growth in number of vehicles:	6.0%

Demographics (2014)

Unemployment rate (April 2014):	5.3%
County rank* in California (58 counties):	7th
Working age (16-64) population:	66.8%

Population with B.A. degree or higher:	45.7%
Median home selling price (2013):	\$645,000
Median household income:	\$88,478

Quality of Life

Violent crime rate (2012):	267 per 100,000 persons
County rank* in California (58 counties):	15th
Average commute time to work (2014):	27.3 minutes

High school drop out rate (2012):	15.4%
Households at/below poverty line (2014):	6.9%

* The county ranked 1st corresponds to the lowest rate in California

Retrieved from California Department of Transportation,
http://www.dot.ca.gov/hq/tpp/offices/eab/socio_economic_files/2014/SantaClara.pdf



Multi-year Projections Beyond FY 16

- ◆ Sales Tax Growth of 1.5 - 2%
- ◆ Property Tax Growth of 4%
- ◆ TOT Growth of 4-9%
- ◆ Property and Sales Tax from Various Developments in FY 17
- ◆ Fire Contract: 4%
- ◆ Additional PERS Rate Increases in FY 17 and Beyond (Average 3.0%/year for next 5 years)

Oscar Murillo

From: McCarthy, Kimbra <Kimbra.McCarthy@mountainview.gov>
Sent: Monday, April 06, 2015 4:12 PM
To: Oscar Murillo
Subject: RE: Proposed Minimum Wage Schedule

Hello Oscar,

Sure, here is the direction Council gave: On March 31, 2015, the Mountain View City Council received an update from staff on minimum wage ordinance regional developments and adopted a work plan to reach a minimum wage of \$15.00 by 2018, working in cooperation with neighboring cities, and with input from the Mountain View community and business stakeholders. Council directed staff to return with feedback from the outreach and a draft ordinance by October 2015.

For starting purposes, the following rate schedule should be used:

Possible Effective Date	Possible Minimum Wage Rate
7/1/2015	\$10.30
7/1/2016	\$12.00
7/1/2017	\$13.50
7/1/2018	\$15.00
July 1st Each Following Year	CPI Increase

Mountain View work plan actions include the following items:

- Send a letter of support for SB 3.
- Support a regional minimum wage increase approach at the Cities Association of Santa Clara County.
- Work in cooperation with Sunnyvale and other cities who may adopt the \$15.00 by 2018 goal.
- Send a letter to all Mayors and City Managers, jointly with Sunnyvale, outlining the regional effort and seeking their support.
- Host two community engagement meetings to receive feedback on a regional plan (the first to be held jointly with Sunnyvale, the second in Mountain View).
- Conduct targeted outreach to solicit input from the business community.
- Post an Open City Hall question on the issue.
- Direct staff to return in the fall to present feedback from public input and other cities, information on studies for and against increasing the minimum wage, and options for a new ordinance.

Please let me know if you have any additional questions.

Thanks,

Kimbra McCarthy
Deputy City Manager
City of Mountain View



DATE: October 9, 2014

CATEGORY: Public Hearing

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

TITLE: Introduce an Ordinance Adding Chapter 42, Article II to the Mountain View City Code to Require the Payment of a City-Wide Minimum Wage

RECOMMENDATION

Introduce an Ordinance Adding Chapter 42, Article II to the Mountain View City Code to Require the Payment of a City-Wide Minimum Wage (Attachment 1 to the Council report), to be read in title only, further reading waived, and set a second reading for October 28, 2014.

BACKGROUND

State law requires the minimum wage for all industries to be no less than \$9.00 per hour on and after July 1, 2014, and \$10.00 per hour on and after January 1, 2016. The Federal minimum wage for covered nonexempt employees has been \$7.25 per hour since July 24, 2009.

On November 6, 2012, City of San Jose voters approved a minimum wage ordinance that was placed on the ballot by an initiative. It required employers to pay their employees a minimum wage of \$10.00 per hour as of March 11, 2013 for work performed within the City of San Jose and required the minimum wage to increase annually by the cost of living, beginning on January 1, 2014. The current minimum wage under the San Jose ordinance is \$10.15 per hour, and it will increase by an annual Consumer Price Index (CPI) adjustment to \$10.30 per hour effective January 1, 2015.

On April 22, 2014, Council expressed interest in establishing a minimum wage City-wide and exploring an ordinance based on that adopted in San Jose, and possibly working in coordination with neighboring cities. Council also noted a general awareness of wages not keeping pace with the high cost of living and housing in many Bay Area cities, including Mountain View, as an impetus for consideration of a minimum wage increase. On June 10, 2014, Council directed staff to bring back a minimum wage ordinance in October 2014, modeled on the City of San Jose's ordinance, after conducting one public outreach meeting.

Council also directed staff to research the approaches taken by other cities in the region which have adopted or considered adopting a minimum wage ordinance (Attachment 2). For example, the City of Berkeley adopted a minimum wage ordinance on June 27, 2014 of \$10.00 per hour effective October 1, 2014, and the City of Richmond adopted an ordinance on May 6, 2014 of \$9.60 per hour effective January 1, 2015. In addition, the City of Sunnyvale will consider an ordinance on October 14, 2014. In the interest of addressing the matter expeditiously, and in light of other regional increases already adopted or under consideration, Council did not direct staff to perform a detailed economic analysis of the potential impacts of a minimum wage increase.

ANALYSIS

Public Outreach and Input

Most cities who adopted minimum wage ordinances conducted some form of outreach prior to their council's formal consideration of the ordinance. The most common forms of outreach were community input meetings and online surveys.

City of Mountain View staff established the Open City Hall online forum and also conducted a community input meeting. Staff announced these input opportunities via the City website, e-mail distributions, press releases, ad placements in the *Mountain View Voice*, KMVT, social media, outreach to the Mountain View Chamber of Commerce, flyer distribution at City facilities, and outreach in Spanish through the Multilingual Community Outreach Program to local partners and stakeholder groups.

The public outreach meeting on the draft proposed minimum wage ordinance was held on September 8, 2014 at the Senior Center. Staff gave a brief overview of the draft ordinance and invited participants to provide feedback through written comment cards or by speaking at a microphone. Staff also provided translation services through headphones as well as translated for Spanish-speakers at the microphone. The event was attended by approximately 60 people. Of those attending, 18 individuals spoke, with 17 voicing their support for an increased minimum wage in Mountain View, and 1 asked whether the City would provide notice to businesses if the ordinance is adopted. There were also 19 comment cards submitted, all of which supported a minimum wage increase. In addition, many participants voiced their support for raising the minimum wage to either \$12.00 or \$15.00 per hour.

During the period of August 18 through September 19, 2014, the City sought additional community input on the proposed draft minimum wage ordinance through Open City Hall, an online forum for civic engagement. Open City Hall was designed so that community members could comment on key City government issues from their

computer or mobile device. The minimum wage ordinance was the first topic posted for feedback on this forum. Citizens accessed the tool by visiting www.mountainview.gov/council/open_city_hall and providing feedback to the question: "Should the City of Mountain View adopt an ordinance setting a local minimum wage?"

As of September 19, 2014, a total of 110 responses were given on Open City Hall. Of those responses, 88 supported a minimum wage ordinance, 18 were against, and 4 responses were unclear. Of the 88 responses in favor of an ordinance, 56 indicated that the minimum wage should be higher than \$10.15 per hour, with at least 30 of those stating it should be \$15.00 per hour or higher. Out of the 110 responses, 60 of those were registered comments, or were made "on forum," and are, therefore, available for viewing at the link shown above.

Potential Business and Economic Impact

Although Council did not direct staff to perform a detailed economic analysis of the potential impacts of a minimum wage increase in Mountain View, the results of local surveys and studies were gathered in order to provide a general overview.

Two predominant viewpoints on the impact of a minimum wage increase are whether an increase would stimulate the economy, boost spending, and reduce employee turnover versus whether it would create increased business costs, higher prices on goods and services, and job losses.

These varying perspectives are reflected in surveys conducted of the local business community. This year, the Mountain View Chamber of Commerce conducted a survey of its members to determine the impacts to local businesses, as did the City of Sunnyvale. In 2012, the San Jose Chamber of Commerce and the Silicon Valley Council of Nonprofits also conducted surveys. It is important to note that each survey utilized different methodology in collecting data and the results do not represent a scientific sample of the surveyed population (Attachment 3).

The Mountain View Chamber of Commerce survey found that 77 percent of the 62 businesses responding would support a minimum wage ordinance, while 23 percent of respondents indicated they would not support an ordinance. In addition, 12 percent of respondents indicated that their suppliers may raise rates/fees, and 11 percent stated they would cut back on worker hours. The City of Sunnyvale survey found 70 percent of respondents (employers, employees, and residents) in support of a minimum wage ordinance, while 30 percent did not support an ordinance. Of those responding, approximately 30 percent stated they would delay future hiring and would cut back on worker hours.

In the San Jose Chamber of Commerce survey, 30 percent of respondents stated they would support an increase in the minimum wage, while 60 percent reported they would not. Fifty-one percent (51%) of all respondents stated they would cut back on worker hours to adjust for a new wage. In addition, the Silicon Valley Council of Nonprofits survey found that 60 percent of respondents believe a minimum wage ordinance would improve the standard of living for the clients that they serve. At least 13 percent of nonprofit respondents in this survey worried that a minimum wage ordinance would cause hiring freezes and would lead to inflation that would erode the value of the new wage.

In 2012, during the City of San Jose minimum wage deliberations, a study was released by Beacon Economics on behalf of the California Restaurant Association, which advised that minimum wage ordinances have a large impact on the restaurant industry, where profit margins are generally slim. The report suggested that San Jose's minimum wage ordinance would lead to a loss of 900 to 3,100 jobs, and would cost San Jose employers \$88 million to \$96 million in increased wages and payroll expenses, which would be partially offset from increased spending by workers of \$26 million to \$28 million.

A subsequent report issued by the Institute for Research on Labor and Employment at the University of California, Berkeley, differed from the Beacon Economics findings. In contrast, Berkeley economists found that increasing the minimum wage would increase business operating costs by an "average of less than 2.5 percent," and would create cost savings due to lower employee turnover rates and higher worker productivity. Further, with more income, minimum wage workers would have more spending power and inject more money into the local economy, which would benefit both businesses through increased sales and the government through increased sales tax revenue. Finally, the report asserts that gainful employment of low-wage workers does not change after a minimum wage increase, and any negative outcomes typically affect teens, not adults.

Since the San Jose minimum wage increase took effect on January 1, 2014, the Institute for Research on Labor and Employment estimates that operating costs for restaurants rose by approximately 0.25 percent to 1.0 percent over the past year and prices for customers rose less than 1.0 percent on average. These cost increases coincided with a booming economy and increased consumer spending throughout Silicon Valley. Employers also reported experienced employees staying longer at their jobs. Overall, minimum wage ordinances may create tangible impacts to the business community and consumers. The magnitude of these impacts is difficult to assess and would likely vary by city.

Legal Framework of Ordinance

As directed by Council, the framework of the proposed minimum wage ordinance follows the San Jose model. Because its ordinance was adopted by initiative, San Jose anticipates developing a companion set of administrative guidelines to assist in implementation and enforcement of the ordinance. The guidelines do not alter the text of the ordinance (as voter initiatives cannot be substantively altered) but rather would clarify its terms based on application of the ordinance to specific facts. The City of Mountain View has the option to insert additional terms to its minimum wage ordinance as it is not constrained by voter initiative established for San Jose's and, therefore, the draft ordinance includes terms clarifying exempt organizations such as State, Federal, and County agencies, as well as school districts because of sovereign immunity. Other than this item, and certain enforcement procedures discussed below, the draft ordinance is identical to San Jose's ordinance. The ordinance also authorizes the City to adopt administrative guidelines to retain flexibility in developing implementation and enforcement procedures and responding to specific instances.

As drafted, the ordinance requires covered employers who are either subject to the City's business license requirements or who maintain a business facility in the City to pay the minimum wage to covered employees. Covered employees are those who perform at least two (2) hours of work in a calendar week within the geographic boundaries of the City. Note that independent contractors are exempt from State minimum wage law and would similarly not be considered covered employees under the City's ordinance. The ordinance, as drafted, would become effective on July 1, 2015 to provide time to educate the community and allow employers to prepare for implementation of the ordinance. The City's minimum wage on July 1, 2015 would be San Jose's 2015 rate of \$10.30 per hour and would be adjusted by CPI annually thereafter on January 1 of each following year.

Other significant terms of the ordinance include that covered employers are required, in addition to the payment of the minimum wage, to:

- Post a notice at the workplace of the current and prospective minimum wage rates and the employees' rights under the local law;
- Maintain payroll records for a period of four years; and
- Provide the employer's name, address, and telephone number in writing to each employee at the time of hire.

The ordinance also prohibits retaliation or discrimination against any person seeking to enforce its terms. The enforcement provisions of the ordinance include the right for

employees to pursue a civil action to recover back wages and to seek reinstatement. The ordinance also authorizes the City to issue administrative citations and monetary fines, conduct administrative hearings, and seek injunctive relief against noncompliant employers.

Compliance and Enforcement

If Mountain View adopts an ordinance substantially the same as San Jose's, compliance and enforcement under the ordinance could be a coordinated effort with the City of San Jose Office of Equality Assurance (OEA). Staff recommends that, at least initially, certain functions be performed by the OEA because: (1) the OEA has dedicated staff who are well-versed in the workings of the ordinance which would offer efficient enforcement for the City; and (2) through initial assistance from the OEA, the City will learn from San Jose's experience in administering the ordinance, with the possibility of eventually taking over full compliance and enforcement functions after the ordinance has been operational for a period of time in the City.

Prior to presenting the ordinance for Council's consideration, City staff met with OEA staff who indicated they are willing to contract with the City to handle early enforcement functions such as initial complaint intake and investigation, and informal resolution of complaints. This arrangement would be memorialized by contract between the City and OEA, with fees to be set as flat fee per task. The OEA has proposed a scope of services and a per-task rate schedule to the City. Based on the relatively low number of enforcement cases handled by San Jose to date, staff estimates the annual cost of OEA enforcement assistance to be low, not exceeding several thousand dollars annually. City of Sunnyvale staff has indicated that if a local minimum wage is adopted, staff will recommend that Sunnyvale contract with OEA to perform initial complaint intake and investigation and informal resolution of complaints.

For enforcement cases that are not resolved by the preliminary and informal processes performed by OEA, the City will conduct enforcement hearings in accordance with established administrative hearing procedures already contained in the City Code. Based on San Jose's experience to date, the staff resources needed for this are not expected to be significant, but that could change over time.

Adoption of an ordinance to increase the minimum wage City-wide is exempt from CEQA per Guidelines Section 15061(b)(3), because it can be seen with certainty that there is no possibility that the action may have a significant effect on the environment.

FISCAL IMPACT

The adoption of a minimum wage ordinance is anticipated to have a minimal fiscal impact on the City in terms of both wages paid by the City and anticipated enforcement costs. The City currently pays the State minimum wage of \$9.00 per hour or above to all City employees. Approximately 14 hourly positions are paid at minimum wage. The State minimum wage will increase to \$10.00 per hour on January 1, 2016, and the City would similarly pay that wage rate if it does not adopt a minimum wage ordinance. In addition, all City contractors are also required to pay their employees the State minimum wage. If adopted, the City minimum wage would be \$10.30 per hour on July 1, 2015, adjusted annually thereafter by CPI increases on January 1 of each following year.

In terms of enforcement costs, the ordinance as drafted allows delegation of preliminary investigation and informal resolution tasks to the San Jose OEA, which staff recommends. 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 cost for this delegated work is estimated to not exceed several thousand dollars per year.

Once a complaint advances to the formal administrative hearing stage, the ordinance provides that the City will handle such procedures in accordance with already-established procedures in the City Code. The City sometimes employs an outside hearing officer to conduct such hearings pursuant to an hourly rate. The estimated cost for a hearing officer is approximately \$150 per hour and costs for hearings vary depending upon the complexity of the complaint. Based on the low number of complaints which reached the administrative hearing stage in San Jose, staff anticipates City costs for formal administrative hearing procedures to be nominal. The proposed ordinance would become effective July 1, 2015, concurrent with the City's fiscal year. Anticipated costs could be built into the Fiscal Year 2015-16 budget.

CONCLUSION

As directed by Council, staff has prepared a draft ordinance based upon San Jose's ordinance which, if adopted, would set the minimum wage in the City of Mountain View at \$10.30 per hour effective July 1, 2015. Community input has been sought and information on other communities' ordinances is provided.

ALTERNATIVES

1. Council could opt to not adopt an ordinance establishing a City-wide minimum wage.
2. Council could adopt a City-wide minimum wage in an amount different than the City of San Jose.
3. Council could consider whether certain employers should be exempted from paying the minimum wage (such as small businesses and/or not-for-profit organizations).
4. Council could consider whether certain categories of employees should not be covered by the ordinance (such as teenagers).
5. Council could consider modifying the effective date of the ordinance (currently July 1, 2015).
6. Council could provide other direction.

PUBLIC NOTICING

Agenda posting. In addition, multiple forms of public noticing (City website, newspaper, social media, KMVT cable television, and communications to stakeholders) were used for the September 8, 2014 community input meeting as well as the October 9, 2014 Council meeting.

Prepared by:

Krishan Chopra
Assistant City Attorney

Kimbra McCarthy
Deputy City Manager

Approved by:

Jannie L. Quinn
City Attorney

Daniel H. Rich
City Manager

KC-KM/7/CAM/610-10-09-14CR-E

- Attachments:
1. Ordinance Adding Chapter 42, Article II, to the Mountain View City Code to Require the Payment of a City-Wide Minimum Wage
 2. Cities Which Have or May Adopt Minimum Wage Ordinances
 3. Minimum Wage Survey Results

CITIES WHICH HAVE OR MAY ADOPT MINIMUM WAGE ORDINANCES

City	Ordinance Adoption Date	Current Minimum Wage/Hr. All Cities Future Increases Tied to CPI	Notable Aspects
San Jose	3/11/13	\$10.00 on 3/11/13 \$10.15 on 1/1/14 \$10.30 on 1/1/15	Voter-initiated ordinance. No exceptions.
San Francisco	11/4/03	\$10.74 on 1/1/14	Annual increase tied to CPI . City-initiated ballot measure slated for November 4, 2014 election would raise minimum wage to \$15.00/hr. in 2018.
Sunnyvale	To be introduced 10/14/14	Based on San Jose's ordinance.	
Berkeley	6/27/14	\$10.00 effective 10/1/14; \$11.00 on 10/1/15; \$12.53 on 10/1/16	
Richmond	5/6/14	\$9.60 on 1/1/15; \$11.52 on 1/1/16; \$12.30 on 1/1/17; \$13.00 on 1/1/18	Several exemptions negotiated late in adoption process. Employers who pay less than 800 hours of employee wages over a two-week are exempt. Employers who derive more than 50 percent of their income where the point of sale is outside the city must pay intermediate wage halfway between the city and state minimum wage.
Oakland	7/29/14	On 7/29/14, Council voted down incremental increase to \$13.50 by 2018.	Lift Up Oakland ballot measure on 11/4/14 ballot would increase the minimum wage from \$9.00 to \$12.25/hr. starting 3/1/15.
San Diego	7/28/14	\$9.75 on 1/1/15; \$10.50 on 1/1/16; \$11.50 on 1/1/17	Vetoed by Mayor on 8/8/14. Council overrode Mayor's veto on 8/19/14.
Los Angeles	9/24/14	\$15.37 on 7/1/15 Only applies to employees of hotels with 300 or more rooms.	In 2016, the law would expand to include hotels with 150 or more rooms.

CITIES WHICH HAVE OR MAY ADOPT MINIMUM WAGE ORDINANCES

City	Ordinance Adoption Date	Current Minimum Wage/Hr. All Cities Future Increases Tied to CPI	Notable Aspects
Seattle	5/29/14	Beginning April 1, 2015, phase-in of a \$15.00 hour minimum wage annually over 3 to 7 years, depending on employer size.	<p>Large Employers (more than 500 employees in the U.S.):</p> <p>\$11.00/hr. by 4/1/15 \$13.00/hr. by 1/1/16 \$15.00/hr. by 1/1/17</p> <p>Large Employers (more than 500 employees) who pay medical benefits:</p> <p>\$11.00/hr. by 4/1/15 \$12.50/hr. by 1/1/16 \$13.50/hr. by 1/1/17 \$15.00/hr. by 1/1/18</p> <p>Small employers (500 or less employees in the U.S.):</p> <p>\$10.00/hr. by 4/1/15 \$10.50/hr. by 1/1/16 \$11.00/hr. by 1/1/17 \$11.50/hr. by 1/1/18 \$12.00/hr. by 1/1/19 \$13.50/hr. by 1/1/20 \$15.00/hr. by 1/1/21</p>

MINIMUM WAGE SURVEY RESULTS

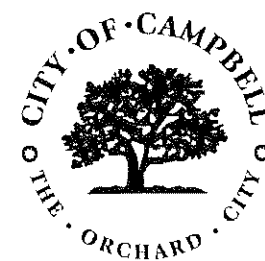
	Number Responding	Do you support a minimum wage?	Impact on Business
Mountain View Chamber of Commerce	62	Yes – 77% No – 23%	12% would raise the wages of non-minimum wage workers. 12% state that their suppliers may raise rates/fees. 11% would cut back on worker hours to adjust for new wage.
San Jose Silicon Valley Chamber of Commerce	163	Yes – 28.8% No – 60.3% Not Sure – 10.9%	53.8% would delay future hiring. 51.4% would cut back on worker hours to adjust for new wage. 31.8% would not open another business location in San Jose.
*City of Sunnyvale	460	Yes – 70% No – 30%	30.8% would delay future hiring. 30.8% would not open another business location in Sunnyvale. 26.9% would cut back on workers' hours to adjust for the new wage.

MINIMUM WAGE SURVEY RESULTS

Silicon Valley Council of Nonprofits	68	Yes – 87% No – 13%	86% would not be affected due to paying employees above minimum wage. 14% would be impacted, and would delay hiring and cut back on worker hours to adjust for new wages.
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* City of Sunnyvale survey included responses from residents, business owners, and employees.

City of Campbell – Minimum Wage Survey



The City would like to thank you for taking this short survey. The City Council will be holding a study session and public hearing in May 2015 to review the issue of minimum wage. The City would like to hear from business owners and managers regarding the consideration for a potential minimum wage ordinance in Campbell. Your voluntary input would assist staff in this initial analysis. Please return this survey using the enclosed self-addressed stamped envelope by **April 13, 2015**. Thank you.

Background (For each question, circle one selection)

Type of Business:

Retail	Restaurant or Fast Food	Hospitality	Manufacturing	Other (Please specify) _____
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Are you a:

Business Owner	Business Manager	Other (Please specify) _____
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How many employees does your business employ?

0-5	6-10	11-15	16-30
31-45	46-75	76-90	91 or more

What percentage of your business' employees earn the minimum wage?

a. 0% - 10%	d. 31%-40%	g. 61%-70%	j. 91%-100%
b. 11%-20%	e. 41%-50%	h. 71%-80%	-
c. 21%-30%	f. 51%-60%	i. 81%-90%	-

For questions 1 – 14, please indicate how your business would respond to the following scenario:

A minimum wage ordinance of \$10.30 per hour has been enacted in the City of Campbell.

1. Would your business eliminate (and not replace) any positions to compensate for increased labor costs? (If no or unsure, skip to question 3)

a. Definitely Yes	b. Probably Yes	c. Maybe Yes
d. Definitely No	e. Probably No	f. Maybe no
g. Unsure	-	-

2. What percentage of total positions would be eliminated (and not replaced)?

a. 0% - 10%	d. 31%-40%	g. 61%-70%	j. 91%-100%
b. 11%-20%	e. 41%-50%	h. 71%-80%	-
c. 21%-30%	f. 51%-60%	i. 81%-90%	-

3. Would your organization also increase the hourly wages of any higher-paying positions, such as those who supervise minimum wage employees?

a. Definitely Yes	b. Probably Yes	c. Maybe Yes
d. Definitely No	e. Probably No	f. Maybe no
g. Unsure	-	-

4. Would your business reduce employee work hours? (If no or unsure, skip to question 6)

a. Definitely Yes	b. Probably Yes	c. Maybe Yes
d. Definitely No	e. Probably No	f. Maybe no
g. Unsure	-	-

5. What percentage of employees would have their work hours reduced?

a. 0% - 10%	d. 31%-40%	g. 61%-70%	j. 91%-100%
b. 11%-20%	e. 41%-50%	h. 71%-80%	-
c. 21%-30%	f. 51%-60%	i. 81%-90%	-

6. Would your business increase its prices to customers? (If no, skip to question 8)

a. Definitely Yes	b. Probably Yes	c. Maybe Yes
d. Definitely No	e. Probably No	f. Maybe no
g. Unsure	-	-

7. What percentage would your business' prices to customers increase?

a. 0% - 10%	d. 31%-40%	g. 61%-70%	j. 91%-100%
b. 11%-20%	e. 41%-50%	h. 71%-80%	-
c. 21%-30%	f. 51%-60%	i. 81%-90%	-

8. If there was a possibility to expand your organization, would a minimum wage increase affect this expansion?

- Definitely more likely to expand
- Probably more likely to expand
- Equally likely to expand
- Probably less likely to expand
- Definitely less likely to expand
- Non-applicable

9. How likely would a minimum wage increase to \$10.30 per hour be to cause your organization to move to another city with a lower minimum wage?

- Highly likely
- Likely
- Unlikely
- Highly unlikely
- Not sure

10. What percentage of your organization's total expenditures would a \$1.30 increase in the minimum wage be?

a. 0% - 10%	d. 31%-40%	g. 61%-70%	j. 91%-100%
b. 11%-20%	e. 41%-50%	h. 71%-80%	-
c. 21%-30%	f. 51%-60%	i. 81%-90%	-

11. Would increased wages for your lowest-paid employees result in higher qualified applicants for these positions?

- a. Yes, significantly more qualified applicants
- b. Yes, slightly more qualified applicants
- c. No, equally qualified applicants
- d. No, slightly less qualified applicants
- e. No, significantly less qualified applicants
- f. Unsure

12. Would increased wages for your lowest-paid employees result in any of the following among those workers? (Select all that may apply)

- a. Increased productivity
- b. Increased morale
- c. Reduced turnover
- d. Unsure

13. Would you support a minimum wage increase if it led to increases in employee productivity, employee retention, employee morale, and the level of qualifications of applicants, to offset all or part of increased labor costs?

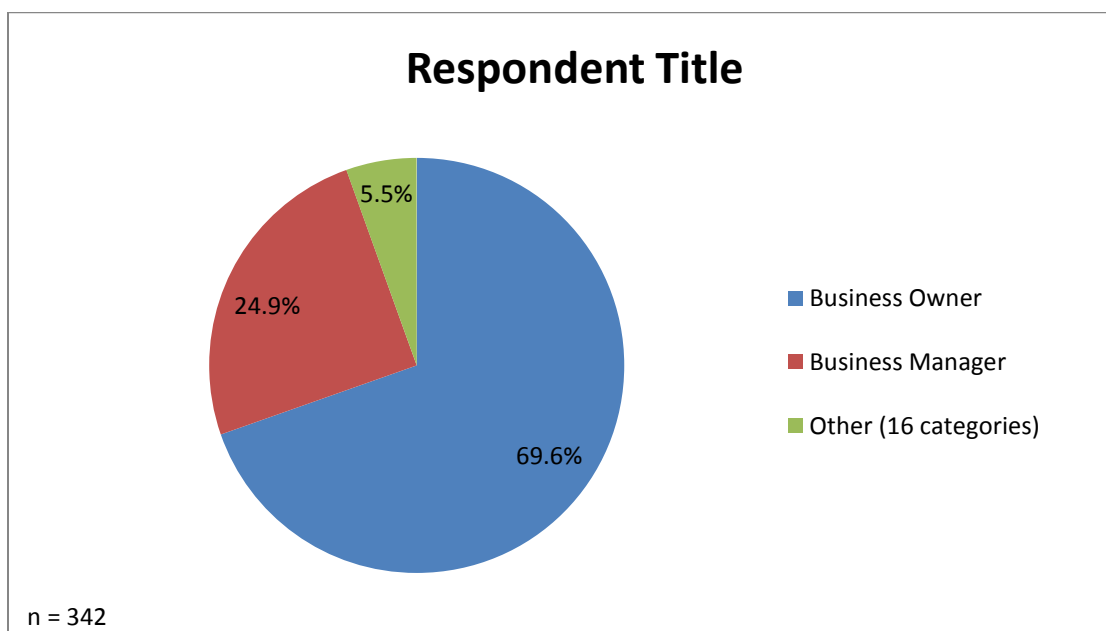
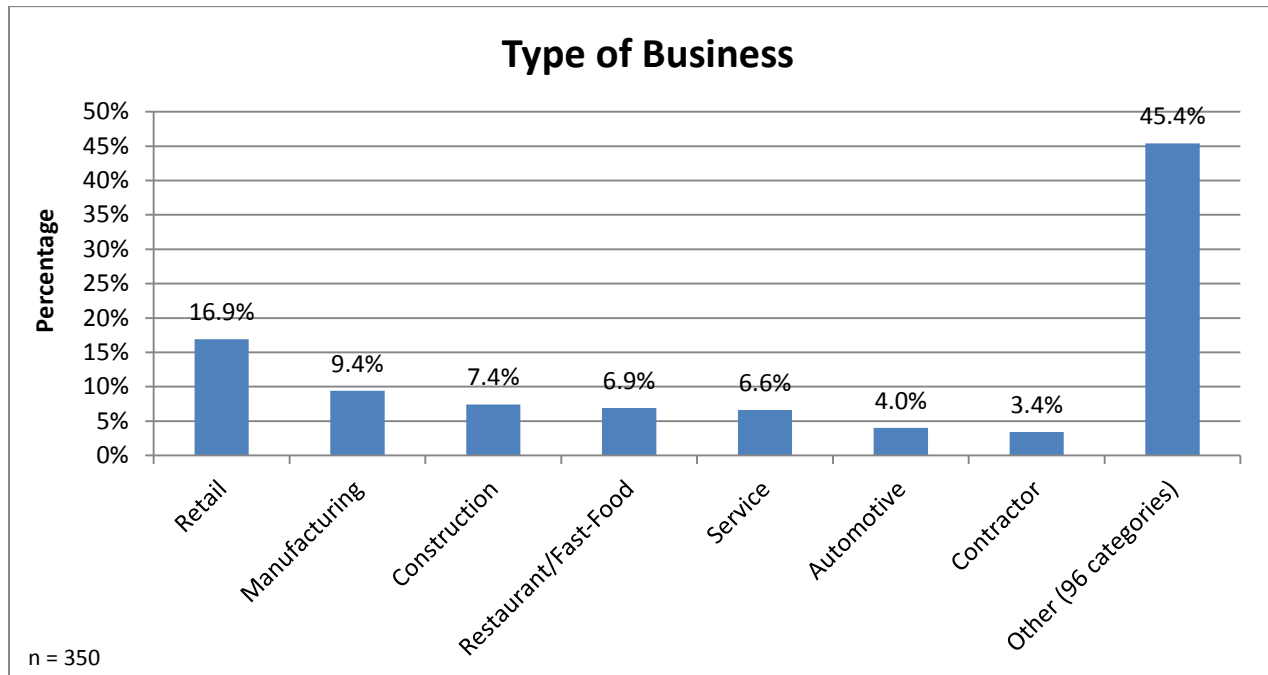
- a. Yes
- b. No

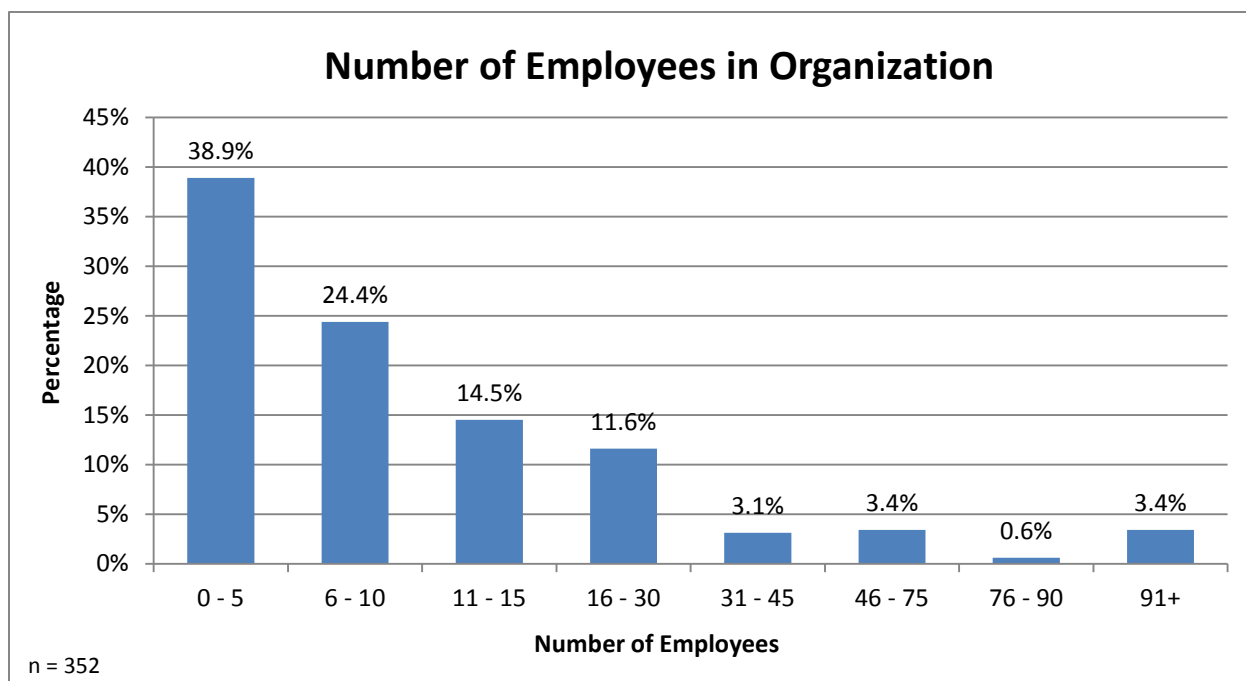
14. Would you support a minimum wage increase if it did not lead to increases in employee productivity, employee retention, employee morale, and the level of qualifications of applicants, to offset all or part of increased labor costs?

- a. Yes
- b. No

Thank you for completing the survey. If you have any questions or concerns please contact Oscar Murillo at (408) 871-5304 or oscarm@cityofcampbell.com. Again, please return by **April 13, 2015**.

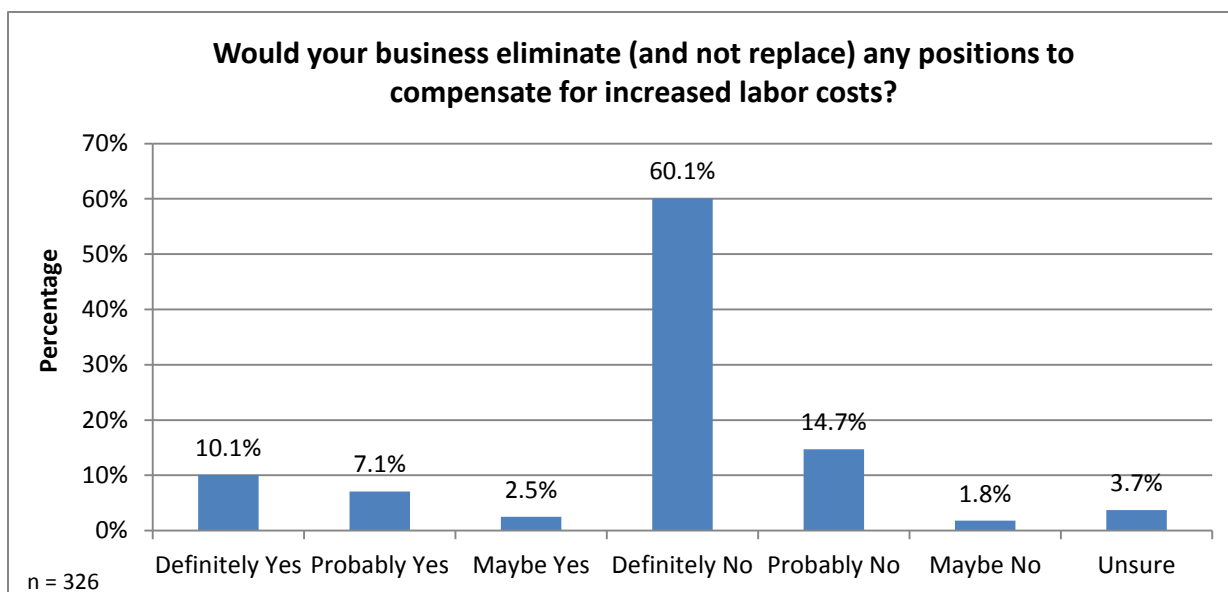
Survey Results





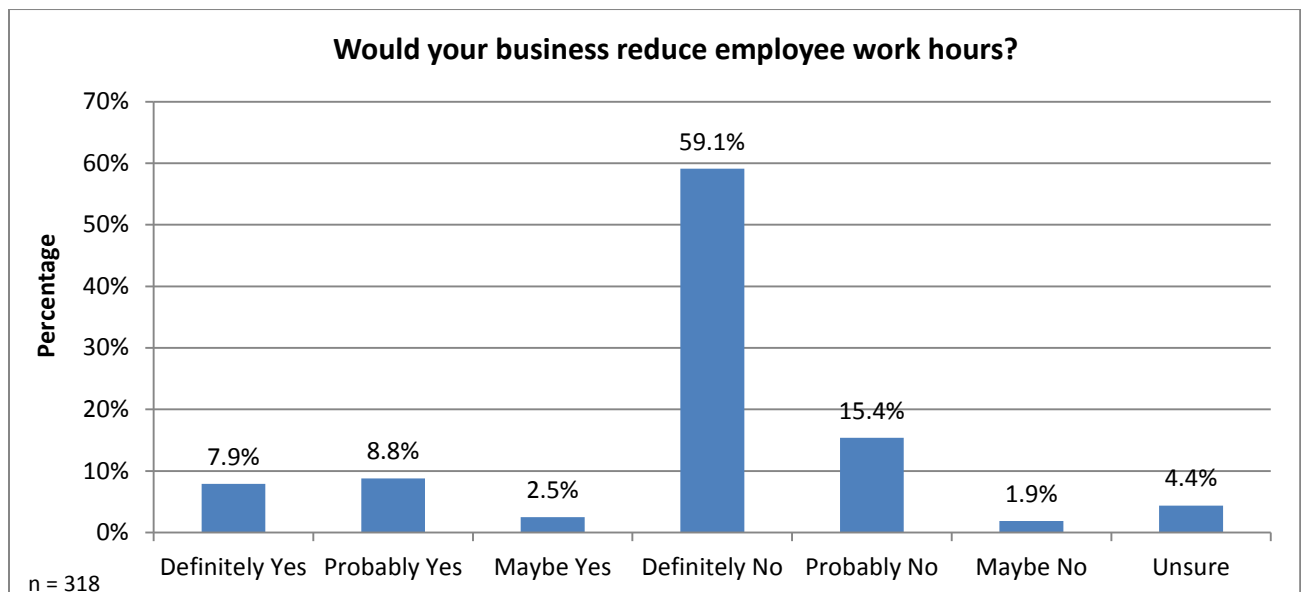
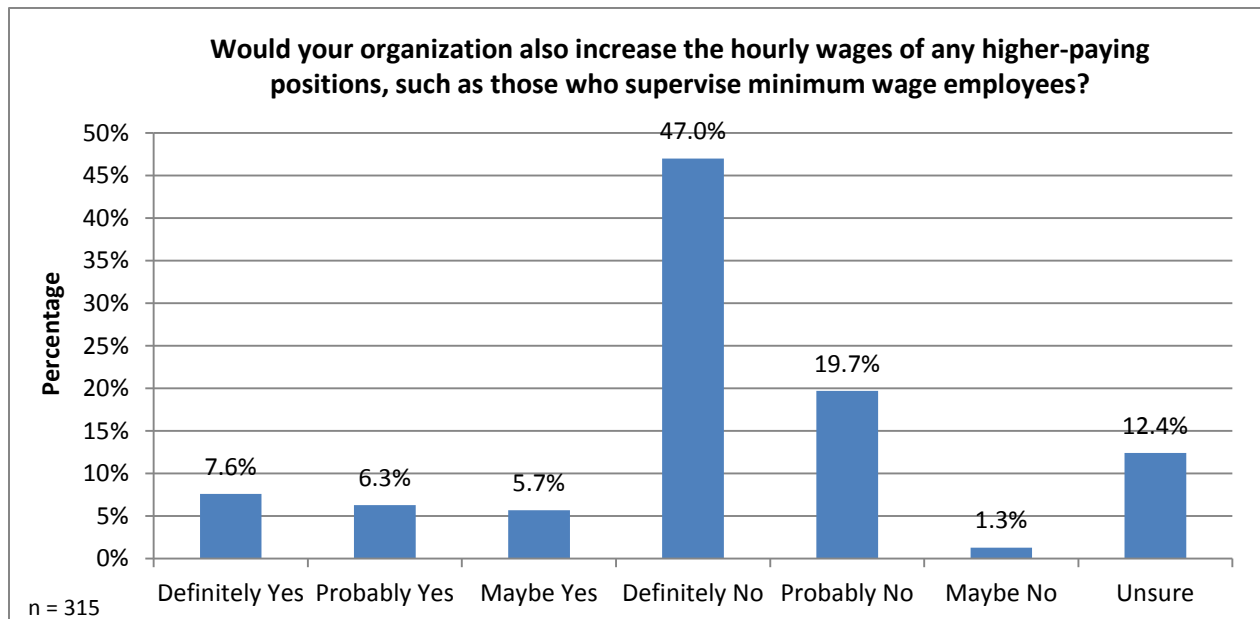
Percentage of Minimum Wage Employees in Organization

	Frequency	Percent	Cumulative Percent
0% - 10%	270	77.4	77.4
11% - 20%	10	2.9	80.2
21% - 30%	4	1.1	81.4
31% - 40%	9	2.6	84.0
41% - 50%	8	2.3	86.2
51% - 60%	6	1.7	88.0
71% - 80%	4	1.1	89.1
81% - 90%	1	0.3	89.4
91% - 100%	37	10.6	100.0
Total	349		



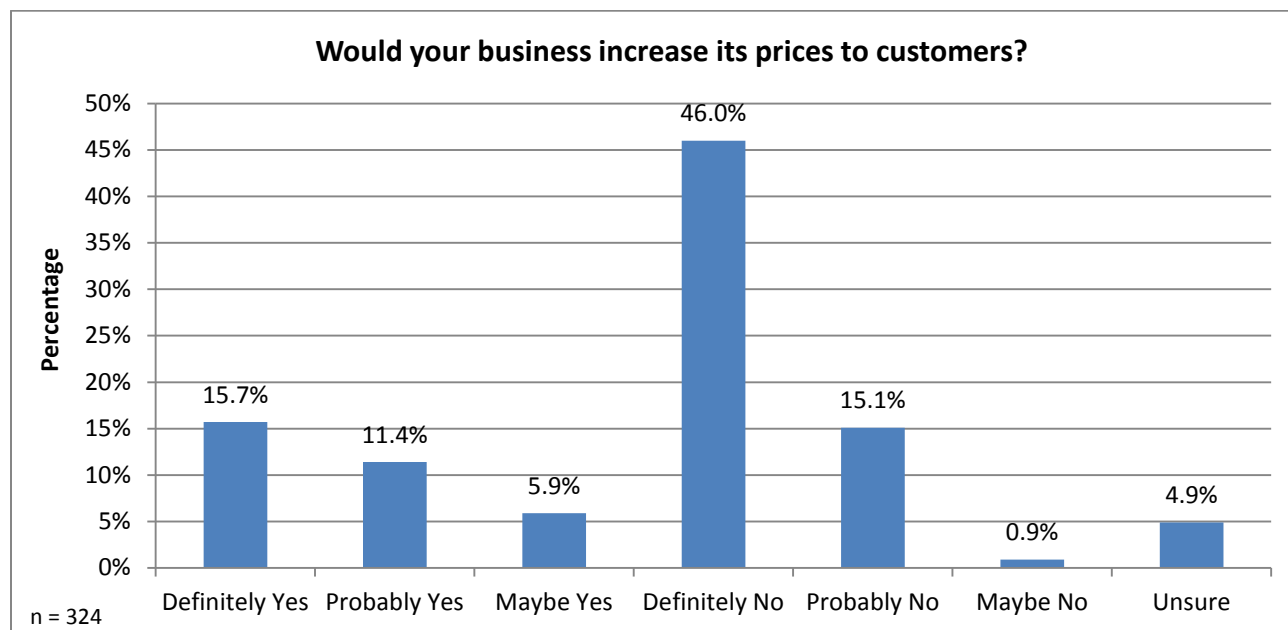
What percentage of total positions would be eliminated (and not replaced)?

	Frequency	Percent	Cumulative Percent
0% - 10%	227	84.4	84.4
11% - 20%	26	9.7	94.1
21% - 30%	8	3.0	97.0
31% - 40%	4	1.5	98.5
41% - 50%	1	0.4	98.9
51% - 60%	1	0.4	99.3
61% - 70%	1	0.4	99.6
71% - 80%	1	0.4	100.0
Total	269		



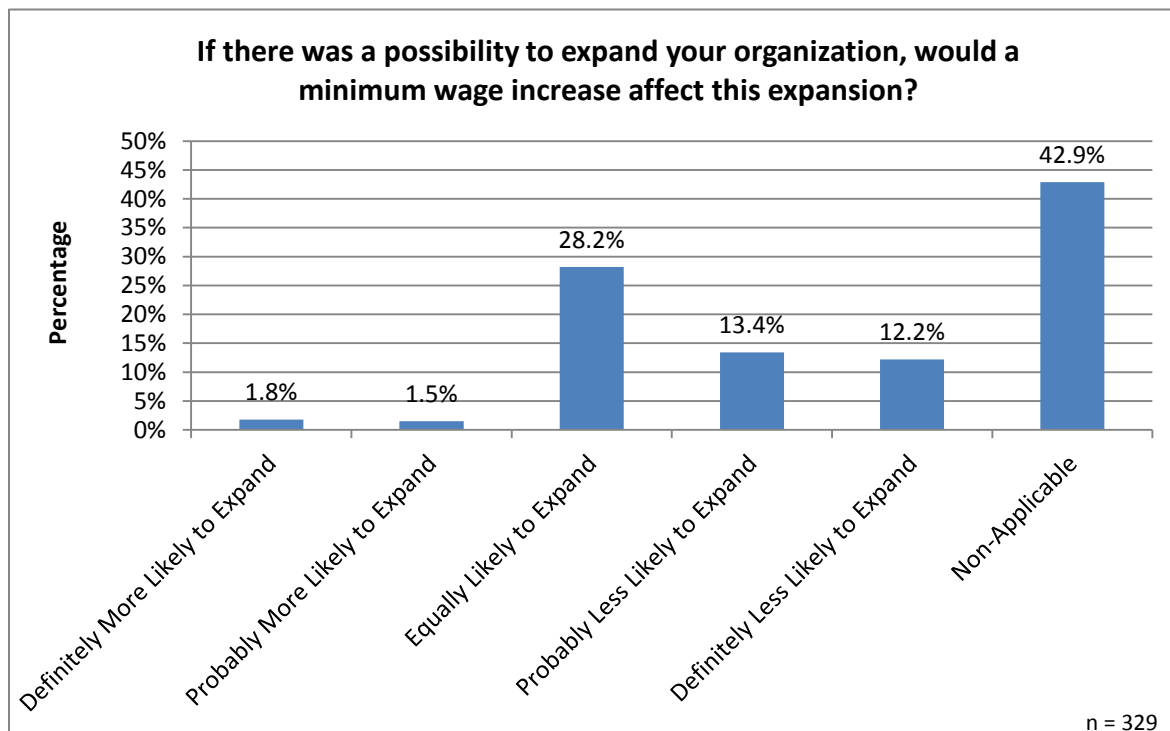
What percentage of employees would have their work hours reduced?

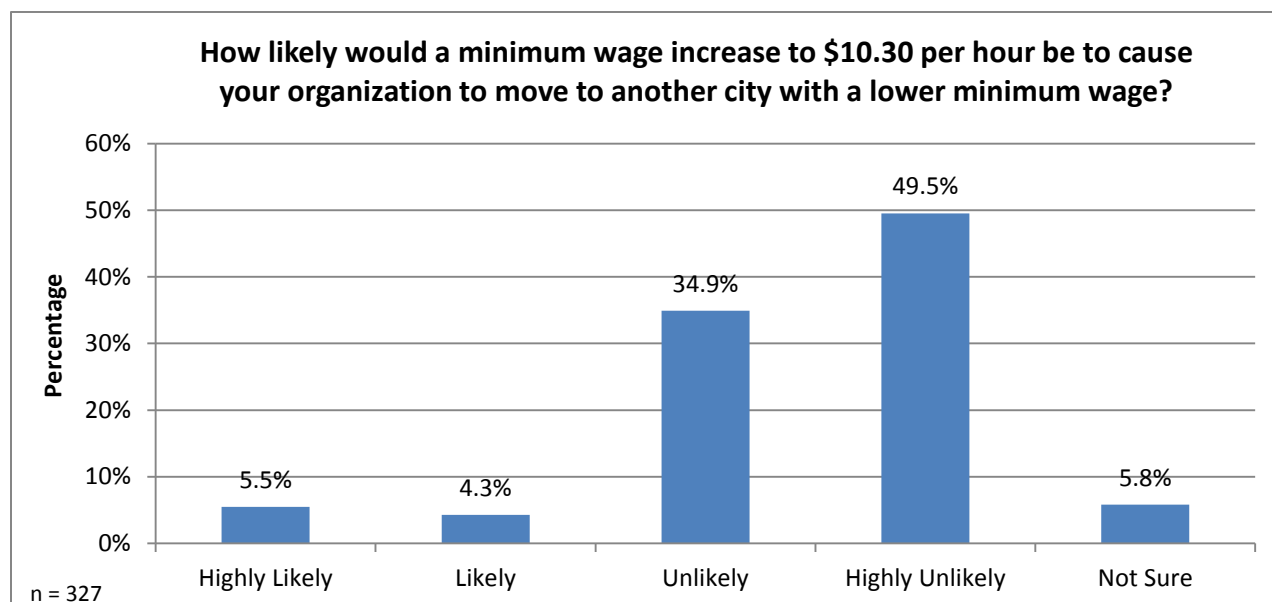
	Frequency	Percent	Cumulative Percent
0% - 10%	214	80.5	80.5
11% - 20%	10	3.8	84.2
21% - 30%	11	4.1	88.3
31% - 40%	8	3.0	91.4
41% - 50%	9	3.4	94.7
51% - 60%	3	1.1	95.9
71% - 80%	2	0.8	96.6
81% - 90%	1	0.4	97.0
91% - 100%	8	3.0	100.0
Total	266		



What percentage would your business' prices to customers increase?

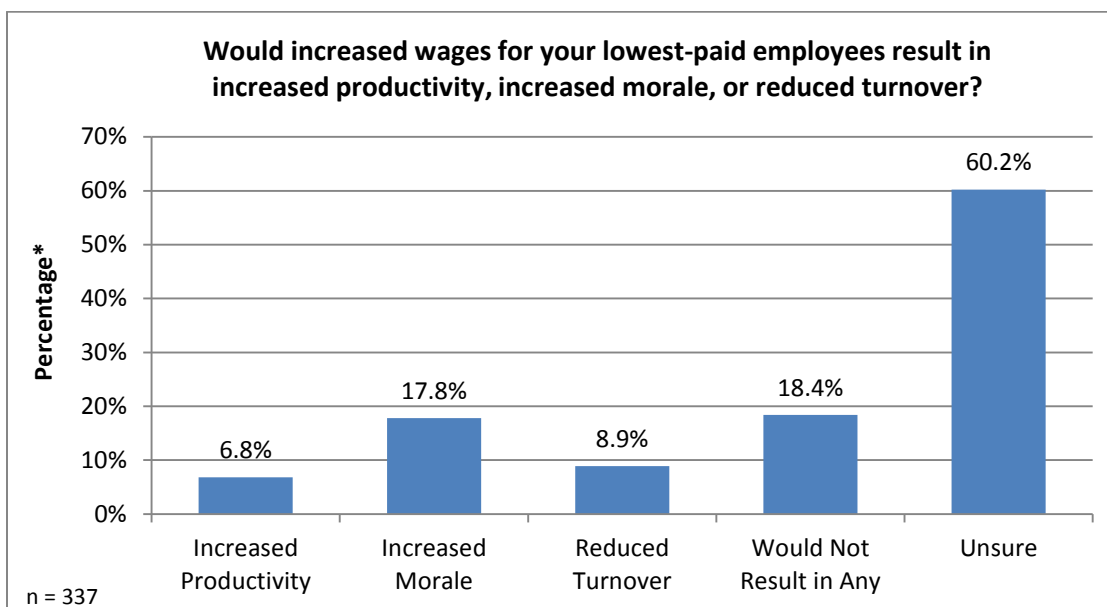
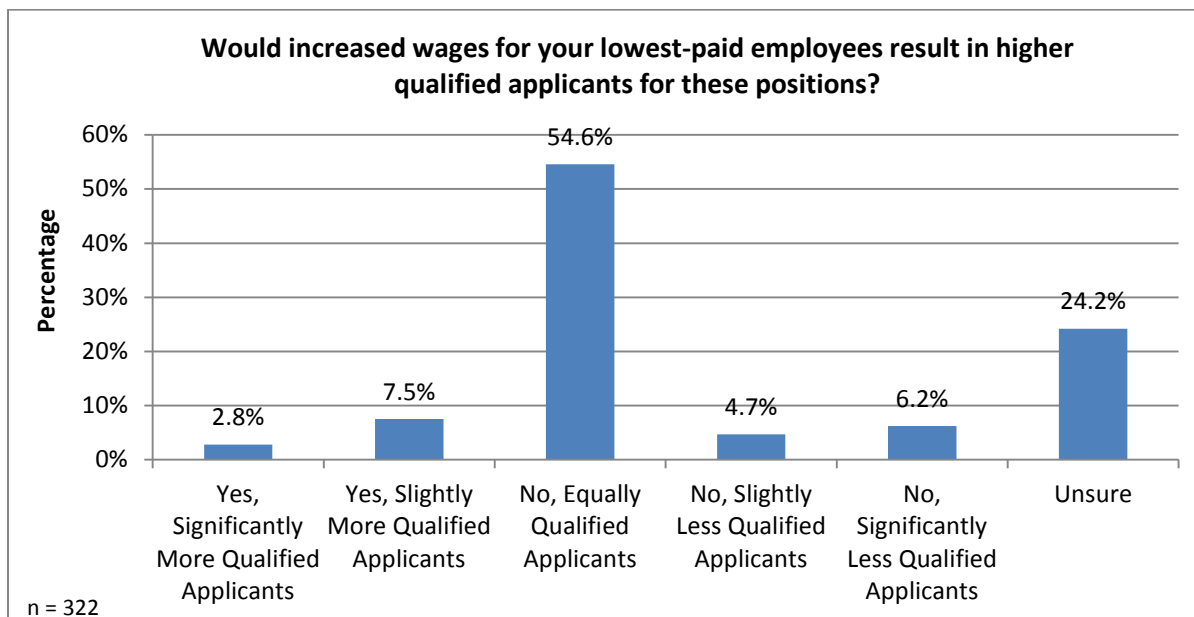
	Frequency	Percent	Cumulative Percent
0% - 10%	194	78.5	78.5
11% - 20%	26	10.5	89.1
21% - 30%	10	4.0	93.1
31% - 40%	7	2.8	96.0
41% - 50%	2	0.8	96.8
51% - 60%	1	0.4	97.2
71% - 80%	1	0.4	97.6
91% - 100%	6	2.4	100.0
Total	247		





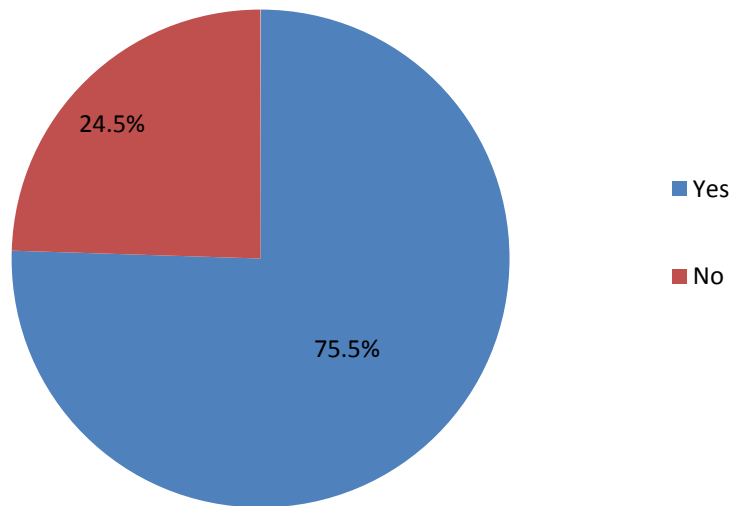
What percentage of your organization's total expenditures would a \$1.30 increase in the minimum wage be?

	Frequency	Percent	Cumulative Percent
0% - 10%	249	80.3	80.3
11% - 20%	28	9.0	89.4
21% - 30%	8	2.6	91.9
31% - 40%	9	2.9	94.8
41% - 50%	4	1.3	96.1
51% - 60%	6	1.9	98.1
61% - 70%	2	0.6	98.7
71% - 80%	1	0.3	99.0
81% - 90%	2	0.6	99.7
91% - 100%	1	0.3	100.0
Total	310		



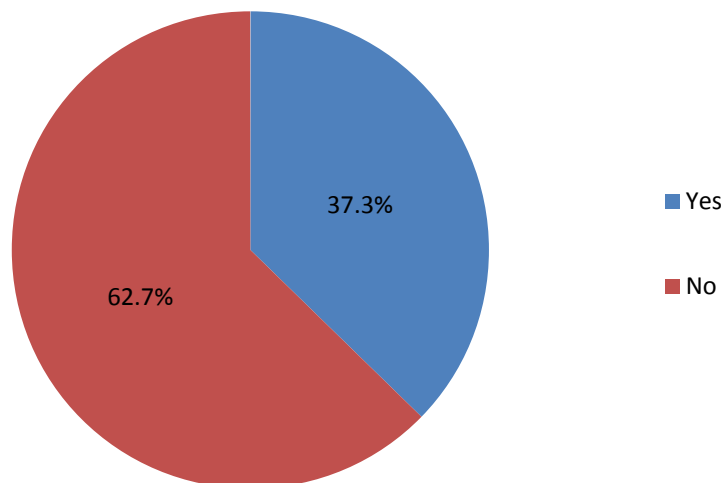
*Question allowed for multiple responses per respondent, thus total figures sum to greater than 100%.

Would you support a minimum wage increase if it led to increases in employee productivity, employee retention, employee morale, and the level of qualifications of applicants, to offset all or part of increased labor costs?



n = 322

Would you support a minimum wage increase if it did not lead to increases in employee productivity, employee retention, employee morale, and the level of qualifications of applicants, to offset all or part of increased labor costs?



n = 322

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doi: [http://dx.doi.org.libaccess.sjlibrary.org/10.1016/S0927-5371\(00\)00021-X](http://dx.doi.org.libaccess.sjlibrary.org/10.1016/S0927-5371(00)00021-X)

5/19/2015 – Addendum to Staff Memo

Question 13: Would you support a minimum wage increase if it led to increases in employee productivity, employee retention, employee morale, and the level of qualifications of applicants, to offset all or part of increased labor costs?

- All respondents: 75.5% Yes ; 24.5% No

Question 14: Would you support a minimum wage increase if it did not lead to increases in employee productivity, employee retention, employee morale, and the level of qualifications of applicants, to offset all or part of increased labor costs?

- All respondents: 37.3% Yes ; 62.7% No

Scenario 1: Remove all respondents with 0% - 10% of employees in their organization earning the minimum wage.

Question 13: Yes – 58.5%

No – 41.4%

Question 14: Yes – 22.9%

No – 77.1%

Scenario 2: Remove all respondents with 0% - 50% of employees in their organization earning the minimum wage.

Question 13: Yes – 54.8%

No – 45.2%

Question 14: Yes – 28.6%

No – 71.4%

Scenario 3: Remove all respondents with 0% - 90% of employees in their organization earning the minimum wage.

Question 13: Yes – 68.8%

No – 31.3%

Question 14: Yes – 34.4%

No – 65.6%

MEMORANDUM



City of Campbell

City Clerk's Office

To: Honorable Mayor and City Council

Date: May 18, 2015

From: Wendy Wood, Acting City Clerk *WW*

Via: Mark Linder, City Manager *ML*

Subject: Desk Item #A – Minimum Wage

On May 15th Jessica M. LaMaack, California Restaurant Association Director, Government Affairs & Public Policy, submitted a letter to the Clerks Office as part of the public record in regards to Minimum Wage Study Session.

Attached is the letter for your consideration.



May 15, 2015

City Council
City of Campbell
70 N First Street
Campbell, CA 95008

RE: Minimum Wage Study Session

Dear Members of the City Council:

The California Restaurant Association (CRA) is the definitive voice of the food service industry in California and is the oldest restaurant trade association in the nation. I am respectfully submitting this letter on behalf of the Members of the CRA to express our concerns over a possible ordinance that seeks to increase the cities minimum wage.

The restaurant community is characterized as having one of the most competitive business models with razor-thin profit margins. According to a recent report by the National Restaurant Association and Deloitte & Touche LLP, every dollar a restaurant makes in sales they keep less than six cents. Research has shown that 25 percent of restaurants close or change ownership in their first year. Furthermore, over a three-year period, the number of restaurants increases to three in five. With a tight profit margin such as this, any additional increase to the minimum wage will add to the already challenging set of cost increases operators are trying to grapple with.

Minimum wage increases often have a perverse effect on the restaurant industry, as the wage increase typically benefits tipped employees who earn the most per hour. A minimum wage increase will ultimately hurt those it intends to help: hardworking non-tipped team members in the heart of the house who are paid an hourly wage greater than the minimum wage, but still at the lower end of the pay scale. The added pressure from the mandatory annual wage increase for the employees already earning the most (tipped employees) takes the finite labor dollars an operator may have and reduces, if not eliminates, their ability to provide non-tipped employees with a wage increase.

An additional increase to the minimum wage forces restaurants and other small businesses to make unfortunate operational decisions to meet the increased labor costs. Restaurants have no choice but to adjust their business plans and budgets, which may mean forgoing expansion and/or reducing operational hours and opportunities for all team members. Furthermore, this increased cost of doing business could discourage

new businesses from locating within Campbell.

The minimum wage will not only increase the wages of the most highly compensated team members in the house (tipped employees), but will also increase employer costs as well. The annual wage increase will also result in corresponding annual increases associated with payroll taxes and temporary/permanent disability benefits paid out to employees through workers' compensation. The cumulative impact of these individual costs leaves an operator with few choices reducing staff levels or cutting staff hours is an unfortunate reality.

We strongly encourage the City Council to consider the minimum wage issue in a more targeted approach to avoid unintended consequences and ensure wage increases are going to those most in need. Below are some points that we respectfully request that you consider incorporating:

- A gradual increase that is phased in over a reasonable period of time with built-in triggers to review any possible negative impact on local business. This process would allow the Council to adjust to any needed changes and avoids tying the wage to inflation which seeks to tie the wage to a single economic factor (inflation), while ignoring other measurements of the local economy.
- Create a Total Compensation model where employees whose total taxable and verifiable compensation is greater than the proposed local minimum wage would not receive the city minimum wage increase. This proposal would use the state minimum wage as the earnings floor, plus other taxable and employer-verified income as defined by the State of California. Incorporating this solution would allow the restaurant industry to use their finite labor dollars to benefit those employees who are bringing home a salary based on wages alone and may be more in need of additional compensation.
- Include a training or teen wage aspect into the ordinance that will preserve entry level first-time jobs for the youth who are unexperienced and looking for a part-time opportunity while they are still in school. As minimum wages are increased above the statewide minimum wage, operators become less likely to hire teens and youth due to the risk of hiring relatively untrained individuals at a high cost.

Thank you for your attention and consideration. We remain committed to working cooperatively with the Council on this issue as it moves through the process. Should you have any questions, please contact me at jlamaack@calrest.org

Sincerely,



Jessica M. LaMaack
Director, Government Affairs + Public Policy



June 1, 2015

The Honorable Jeffrey Cristina
Mayor of the City of Campbell
70 North First Street
Campbell, CA 95008

REGIONAL MINIMUM WAGE INCREASE APPROACH

Dear Mayor Cristina :

On behalf of the Sunnyvale and Mountain View City Councils, we are writing to urge your support in reaching a regional minimum wage of \$15.00 per hour by 2018.

In October 2014, our City Councils adopted minimum wage ordinances to raise the minimum wage to \$10.30 per hour, with annual adjustments on January 1 thereafter tied to inflation. The Sunnyvale minimum wage took effect on January 1, 2015, and the new wage rate in Mountain View will take effect on July 1, 2015.

Recently, the Mountain View City Council adopted a goal to work in collaboration with other local government agencies to reach a minimum wage of \$15.00 per hour by 2018, using the below-suggested approach. Sunnyvale staff communicated the same approach to the Sunnyvale City Council.

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

Sunnyvale City Hall
456 West Olive Avenue
Sunnyvale, CA 94086
Phone: (408) 730-7902
Email: MinimumWage@sunnyvale.ca.gov

Mountain View City Hall
500 Castro Street, P.O. Box 7540
Mountain View, CA 94039-7540
Phone: (650) 903-6301
Email: MinWage@mountainview.gov

Honorable Mayor Cristina
June 1, 2015
Page 2

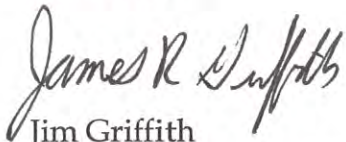
Many Bay Area cities have enacted local minimum wage ordinances ranging from \$9.60 per hour to \$14.44 per hour. We believe a joint approach to reaching \$15.00 per hour is key to achieving uniformity across the region.


Raising the minimum wage to \$15.00 by 2018 will contribute to improving the quality of life for many residents in our region, and will help lift working families out of poverty. With more income, minimum wage workers would have more spending power and inject more money into the local economy, which would benefit businesses through increased sales and local governments through increased sales tax revenue.

For these reasons, we urge your City Council to join the cities of Sunnyvale and Mountain View in the effort to reach a regional minimum wage of \$15.00 per hour by 2018.

Staff will return to both councils in the fall of 2015 to present feedback on a regional approach. We encourage your staff to respond to Kimbra McCarthy, Deputy City Manager, City of Mountain View, kimbra.mccarthy@mountainview.gov, and Connie Verceles, Economic Development Manager, City of Sunnyvale, cverceles@sunnyvale.ca.gov, by the end of June 2015 if your Council would like to join our efforts.

Sincerely,


Jim Griffith
Mayor, City of Sunnyvale


John McAlister
Mayor, City of Mountain View

JG-JMcA/KMcC/3/MGR
001-05-28-15L-E/DL

cc: Mark Linder, City Manager, City of Campbell
Assistant City Manager