



City of Sunnyvale

Agenda Item-No Attachments (PDF)

File #: 16-0151, Version: 1

REPORT TO COUNCIL

SUBJECT

Introduce an Ordinance Amending Section 3.80.040 of the Sunnyvale Municipal Code to increase the City's Minimum Wage to \$15 by 2018

BACKGROUND

On October 28, 2014, Council adopted a Minimum Wage Ordinance to establish a minimum wage of \$10.30 per hour beginning on January 1, 2015 and starting January 1, 2016, and every January 1 thereafter, adjust the rate by an amount corresponding to the prior year's Consumer Price Index (CPI). Ordinance No. 3047-14 states that future increases will be based upon the CPI for the U.S. city average for urban wage earners and clerical workers, consistent with the City of San José's ordinance. The City's minimum wage, as well as the minimum wage in San José, remained at \$10.30 per hour on January 1, 2016 as the CPI decreased 0.3 percent over the previous year.

In addition to adopting the City's Minimum Wage Ordinance, Council directed staff to work with neighboring cities, specifically the City of Mountain View, with the goal of reaching \$15 per hour minimum wage by 2018. On December 1, 2015, staff presented Council with RTC 15-0951 highlighting the efforts performed to seek a regional approach and reported that no city agreed to adopt the minimum wage increase using the incremental approach proposed by the cities of Sunnyvale and Mountain View.

At the Council meeting of December 1, 2015, Council directed staff to:

- Send a letter to the City of Mountain View to request they consider amending their recently adopted minimum wage ordinance such that instead of calculating CPI increases on a year over year basis, they calculate it using 2018 as a base year and doing all of the CPI adjustments based on that, in order to more accurately reflect CPI changes to account for years with a negative CPI.
- Amend the City's Minimum Wage ordinance by changing the CPI from the U.S. city average to the San Francisco-Oakland-San Jose CPI average.
- Revise the City's ordinance to be similar to the minimum wage ordinance the City of Mountain View adopted on November 10, 2015, and to increase the City's minimum wage to \$15 per hour by 2018 according to the schedule below:
 - \$11 per hour by July 1, 2016
 - \$13 per hour on January 1, 2017
 - \$15 per hour on January 1, 2018
 - Use the San Francisco-Oakland-San Jose CPI for future annual increases starting January 1, 2019

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

The adoption of an ordinance of general policy and procedure does not constitute a “project” with the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(2).

DISCUSSION

As per Council direction, Mayor Glenn Hendricks sent a letter to Mountain View Mayor Pat Showalter requesting that Mountain View City Council consider amending their minimum wage ordinance. Instead of calculating CPI increases on a year over year basis, the minimum wage increase would be calculated using 2018 as a base year with subsequent CPI adjustments based on the 2018 base year. These adjustments to the annual minimum wage calculation method would have ensured that future increases are consistent with CPI increases even in cases of negative CPI adjustments or year-over-year rounding of minimum wage hourly rates. Mayor Hendricks included draft language that the Mountain View Council could consider as their amendment to the ordinance (Attachment 1). On February 3, 2016, Mayor Showalter responded and stated that Mountain View will not consider the annual minimum wage calculation method as outlined in Mayor Hendricks’s request (Attachment 2).

Also as per Council direction provided to staff on December 1, 2015, the proposed ordinance amendments (Attachment 3) are the revisions Council requested. The proposed ordinance amends Section 3.80.040 of the Sunnyvale Municipal Code to include the following:

- A minimum of \$11.00 per hour be paid by employers beginning July 1, 2016
- A minimum of \$13.00 per hour be paid by employers beginning January 1, 2017
- A minimum of \$15.00 per hour be paid by employers beginning January 1, 2018
- Starting January 1, 2019, calculate future adjustments based on Urban Wage Earners and Clerical Workers, San Francisco-Oakland-San Jose for All Items

On April 4, 2016, Governor Brown signed, Senate Bill 3 (Leno) *Minimum Wage* into law. Under the legislation, California's \$10 per hour minimum wage will increase to \$15 by 2022. Businesses with 26 or more employees shall follow the following schedule:

- \$10.50 per hour on January 1, 2017
- \$11 per hour on January 1, 2018
- \$12 per hour on January 1, 2019
- \$13 per hour on January 1, 2020
- \$14 per hour on January 1, 2021
- \$15 per hour on January 1, 2022

SB 3 also authorizes the Governor to temporarily halt planned increases if there is a forecasted budget deficit of more than one percent of annual revenue, or due to poor economic conditions such as declines in jobs and retail sales. Businesses with 25 or fewer employees will be given an extra

year to comply with the law. Once the minimum wage reaches \$15, it will rise annually with inflation. The calculation for any potential increase will be the lesser of 3.5 percent or the increase in the United States Consumer Price Index for Urban Wage Earners and Clerical Workers, rounded to the nearest ten cents (\$0.10).

FISCAL IMPACT

The amended ordinance is anticipated to have a fiscal impact on the City in terms of both wages paid by the City and some potential increased enforcement costs. The City currently has about 173 positions that are currently paid less than \$15 per hour. These are casual, part-time or seasonal positions. The cost impact to the City from an increase is not significant (less than \$5,000 per year) and will be incorporated into the FY 2016/17 Recommended Budget if the attached ordinance is approved.

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 used the City's minimum wage page to notify the public of the item.

ALTERNATIVES

1. Introduce an Ordinance Amending Section 3.80.040 of the Sunnyvale Municipal Code to increase the City's Minimum Wage to \$15 by 2018.
2. Do Not Introduce an Ordinance Amending Section 3.80.040 of the Sunnyvale Municipal Code, which will result in the City of Sunnyvale following the State's minimum wage law.
3. Provide other direction.

STAFF RECOMMENDATION

Alternative 1: Introduce an Ordinance Amending Section 3.80.040 of the Sunnyvale Municipal Code to increase the City's Minimum Wage to \$15 by 2018.

As directed by Council, staff prepared all the requested amendments to the ordinance in order to achieve Council's goal of reaching a minimum wage of \$15 per hour by 2018.

Prepared by: Connie Verceles, Economic Development Manager

Reviewed by: John Nagel, City Attorney

Reviewed by: Walter C. Rossmann, Assistant City Manager

Reviewed by: Kent Steffens, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Mayor Hendricks' Letter to City of Mountain View
2. City of Mountain View response to Mayor Hendricks' Letter
3. Proposed Ordinance amending Section 3.80.040