

UPDATE ON REGIONAL MINIMUM WAGE EFFORTS

City Council Meeting

May 18, 2016

Item 15



Recommendations

- Accept a report on San Jose's regional minimum wage study
- Provide direction on Morgan Hill's position for the Cities Association June discussion
- Discuss local minimum wage Ordinance per March 2, 2016, City Council direction
- Do not adopt a local minimum wage at this time now that the State has adopted a minimum wage that includes annual increases after 2022

Regional Report Shows Minimal Impact to Business and Modest Benefit for Workers

- A minimum wage of \$15 generates an **average pay increase of \$3,200**
- **96% of the workers** who would receive **pay increases** are **over 20 years of age**
- **Average payroll costs increase of 1.0%. Restaurants**, would experience an **average payroll cost increase of 9.6%**
- **Prices** charged by businesses as a result of a higher minimum wage would **increase 0.2% across all industries**
- **Prices would increase 2.9% for restaurants**
- **Employers** anticipate that they will **likely** have to **increase prices for customers** (66%)
- 76% of respondents believe a minimum wage increase makes sense given the region's high cost of living

New State of CA Minimum Wage-Phased Approach

	State of CA Minimum Wage - Large Employers <i>(26 or more employees)</i>	State of CA Minimum Wage- Small Employers <i>(25 or less employees)</i>
2016	\$10.00	\$10.00
2017	\$10.50	\$10.00
2018	\$11.00	\$10.50
2019	\$12.00	\$11.00
2020	\$13.00	\$12.00
2021	\$14.00	\$13.00
2022	\$15.00	\$14.00
2023	\$15.00 +	\$15.00

Council Direction to Draft A Minimum Wage Ordinance for Morgan Hill

	State of CA Minimum Wage – Large Employers (26 or more employees)	Range of Impacts Using National CPI-U (.5% to 1.96%)
2016	\$10.00	\$10.00
2017	\$10.50	\$10.55-\$10.71
2018	\$11.00	\$11.05-\$11.22
2019	\$12.00	\$12.06-\$12.24
2020	\$13.00	\$13.06-\$13.25
2021	\$14.00	\$14.07-\$14.27
2022	\$15.00	\$15.07-\$15.29
2023	\$15.07-\$15.29	\$15.15-\$15.59

Additional Costs to Morgan Hill if Adopting Morgan Hill Ordinance

- City of Morgan Hill General Fund payroll costs could increase by an additional \$1,000 to \$15,000
- The City of Morgan Hill should also assume an additional \$5,000 for any potential enforcement compliance
- City of Morgan Hill will be responsible for posting an annual minimum wage bulletin for local businesses estimated cost at \$1,500 annually

Santa Clara Cities Association Looking for a Regional Approach

Santa Clara Cities Association (SCCA) discussed the Regional Minimum Wage Reports at their April 2016 meeting.

- SCCA Board encouraged members to share the Minimum Wage Reports with their respective cities and to come back in June 2016 for a potential regional recommendation
- Current discussions by SCCA are to adopt a more aggressive implementation of a \$15 minimum wage

Regional Approach to Minimum Wage

	State of CA Minimum Wage – Large Employer (More than 26 employees)	MH Council Direction 3/2 Range of Impacts at CPI (.5% to 1.96%)	Regional Approach (Discussion)
2016	\$10.00	\$10.00	-
2017	\$10.50	\$10.55-\$10.71	\$12.00
2018	\$11.00	\$11.05-\$11.22	\$13.50
2019	\$12.00	\$12.06-\$12.24	\$15.00
2020	\$13.00	\$13.06-\$13.25	\$15.37
2021	\$14.00	\$14.07-\$14.27	\$15.75
2022	\$15.00	\$15.07-\$15.29	\$16.13
2023	\$15.07-\$15.29	\$15.15-\$15.59	\$16.53

Recommendation

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