



City of Morgan Hill

Legislation Details (With Text)

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CITY COUNCIL STAFF REPORT MEETING DATE: MARCH 2, 2016

PREPARED BY: John Lang, Economic Development Coordinator
APPROVED BY: City Manager

STATUS UPDATE ON REGIONAL MINIMUM WAGE EFFORTS

RECOMMENDATION(S)

Accept a report on the status of San Jose's regional minimum wage study and other related minimum wage updates.

COUNCIL PRIORITIES, GOALS & STRATEGIES:

Ongoing Priorities

Supporting youth
Fostering a positive organizational culture
Preserving and cultivating public trust

2016 Focus Areas

Participating in Regional Initiatives
Improving our Communication

REPORT NARRATIVE:

Background

At the December 16, 2015, The City Council was provided an update on the regional minimum wage efforts currently being undertaken by local jurisdictions as well as information on local community engagement conducted by the City to residents and businesses of Morgan Hill. City Council provided direction to return March 2016 with the results of the consultant report being funded by the

City of San Jose on a proposed \$15 an hour minimum wage for the region.

Status update on the City of San Jose minimum wage report

The City of San Jose issued a Request for Proposal (RFP) to analyze the impact of increasing the regional minimum wage. The Institute of Research and Labor and Employment (IRLE) at U.C. Berkeley was selected to conduct the study. The RFP required a wide variety of impacts be analyzed and modeled for both employees and employers. The IRLE minimum wage study is costing approximately \$90,000. The City of San Jose also contracted with B.W. Research to survey businesses within Santa Clara County to understand and assess the impact of a local minimum wage for approximately \$30,000. The City of San Jose received \$1,000 from the Santa Clara County Cities Association to support the research efforts. The balance of the cost of the studies is being funded by the City of San Jose.

There are two major components under review by the consultant team. The first is a deep analytical dive on the impacts to workers of a incremental increase in minimum wage using a modeling format developed by IRLE which has been academically reviewed and used by other jurisdictions. The second component is a Countywide statistically significant sampling of businesses evaluating the anticipated impacts of implementing a local minimum wage of \$15 an hour.

The analysis is being conducted on the following scenarios. First, an evaluation of the impact of all cities within Santa Clara County adopting a incremental increase in minimum wage to \$15 by 2019. Second, an evaluation of just the City of San Jose adopting an incremental increase to \$15 an hour by 2019. As a control, both of these scenarios are also being evaluated at a \$20 an hour minimum wage by 2019.

The report and survey findings are anticipated to be released and previewed in front of the San Jose City Council on April 18, 2016.

Consumer Price Index

Questions arose at the December 16, 2015 City Council meeting about the Consumer Price Index (CPI) and the impact it has on local minimum wages. The CPI looks at the incremental increase or decrease of the same market basket of goods every month. Price information from 80 different regions in the United States is collected and modeled every month to develop an Index. In general terms, the CPI collects prices on a range of goods and services including food, energy, housing, transportation, medical and education. The CPI has two basic indices, All Urban Workers (U) and All Wage and Clerical Workers (W). The two indices differ slightly in that the All Urban Workers (U) includes survey responses from all people in urban and metro areas, professionals, poor, retired people, employed and unemployed. The All Wage and Clerical Workers (W) Index includes survey responses from all people in urban and metro areas that are in clerical or wage occupations and employed for at least 6 months. Because of the nuances between All Urban Workers and All Wage and Clerical Workers, the CPI Index changes slightly between the indices.

Additionally, the same Index is conducted at the regional level for the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical Area (CMSA). Below is a chart that looks at how the California minimum wage would have changed using the various CPI Indices over the last past 10 years.

Analysis of California Minimum Wage using Consumer Price Index (June Adjustment)

| Nation CPI-U | Nation CPI-W | SF CMSA-CPI-U | SF CMSA-CPI-W |
|--------------|--------------|---------------|---------------|
|--------------|--------------|---------------|---------------|

| | | | | |
|-------------|----------------|----------------|----------------|----------------|
| 2006 | \$6.75 | \$6.75 | \$6.75 | \$6.75 |
| 2007 | \$7.50 | \$7.50 | \$7.50 | \$7.50 |
| 2008 | \$8.00 | \$8.00 | \$8.00 | \$8.00 |
| 2009 | \$8.39 | \$8.44 | \$8.34 | \$8.38 |
| 2010* | \$8.39 | \$8.44 | \$8.35 | \$8.38 |
| 2011 | \$8.48 | \$8.56 | \$8.44 | \$8.50 |
| 2012 | \$8.78 | \$8.90 | \$8.65 | \$8.74 |
| 2013 | \$8.93 | \$9.05 | \$8.87 | \$8.98 |
| 2014 | \$9.09 | \$9.20 | \$9.10 | \$9.21 |
| 2015 | \$9.27 | \$9.39 | \$9.38 | \$9.48 |
| 2016 | \$10.00 | \$10.00 | \$10.00 | \$10.00 |

California Minimum Wage Increases 2007 \$7.50, 2008 \$8.00, 2014 \$9.00, 2016 \$10.00

**2010 the national CPI-U and CPI-W and SF-CMSA CPI-W price indices all declined, therefore minimum wage would have remained the same.*

Regional Minimum Wage Efforts and Enforcement

The cities of Mountain View, Sunnyvale and Palo Alto have recently adopted local minimum wage ordinances. These cities have also contracted with the City of San Jose's Office of Equality Assurance (OEA) to investigate wage complaints and ensure wage compliance. Wage compliance amongst all the cities with a local minimum wage in Santa Clara County is a complaint based process. The City of San Jose's contracted services are cost recovery and strictly fee for service. Should the City of Morgan Hill enact a local minimum wage, there are no resources identified within Human Resources or Economic Development for minimum wage compliance and enforcement. The City may wish to consider enforcement by contracting with the City of San Jose.

COMMUNITY ENGAGEMENT: Involve

The December 16, 2015 Council memorandum on minimum wage outlined outreach and community engagement on the topic of increasing minimum wage in Morgan Hill. For this particular informational update, no additional community outreach was conducted.

ALTERNATIVE ACTIONS:

Council may choose to provide further direction to staff.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

On December 16, 2015 the City Council received a report on community and business outreach proposed for a potential minimum wage in Morgan Hill.

FISCAL AND RESOURCE IMPACT:

Work on this issue was not included in FY 15/16 workplans for Economic Development, Human Resources or Communications.

Should the Council choose to adopt a local minimum wage, the impact to the City of Morgan Hill as an employer is the salary adjustment to five job classifications, 28 part-time, seasonal positions currently receiving \$10 an hour. Additionally, the City should consider setting aside approximately

\$20,000 for enforcement efforts and necessary outreach.

CEQA (California Environmental Quality Act):

Not a Project

LINKS/ATTACHMENTS:

Minimum Wage Presentation