



City of Morgan Hill

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8/24/2016	1	City Council	accepted	

CITY COUNCIL STAFF REPORT MEETING DATE: AUGUST 24, 2016

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

UPDATE ON REGIONAL MINIMUM WAGE EFFORTS

RECOMMENDATION(S)

1. Accept a report on the Cities Association of Santa Clara County regional minimum wage discussion; and
2. Provide direction to staff on whether to move forward with developing an ordinance modeled after Cities Association of Santa Clara County adopted recommendation.

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

On December 16, 2015, 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 in 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.

On March 2, 2016, City Council received an update on the timing of the consultant report regarding a regional minimum wage being funded by the City of San Jose. This memorandum also included an analysis of the various impacts that Consumer Price Indices can have on inflating a minimum wage. In addition, City Council was provided information on local enforcement costs related to minimum wage. The City Council directed staff to bring back an ordinance for consideration to augment the State of California Minimum Wage annually by the national All Urban Wage Earners Consumer Price Index starting January 2017.

On May 18, 2016, the City Council received the City of San Jose funded consultant report on the impact of a regional minimum wage on Santa Clara County. In addition to sharing the findings from the consultant's analysis of a regional minimum wage, City Council per staff's recommendation, did not approve a proposed Morgan Hill local minimum wage ordinance given the recent actions by the State of California in passing Senate Bill 3 which increases the State of California Minimum Wage. Finally, City Council provided direction to Mayor Tate to support a regional approach to minimum wage being discussed by the Cities Association of Santa Clara County on June 9, 2016.

Santa Clara County Regional Effort

At the June 9, 2016 Cities Association of Santa Clara County meeting, the Board approved adopting a regional minimum wage that would increase within Santa Clara County to \$12 in 2017, \$13.50 in 2018 and \$15 by 2019. The Board approved recommendation included an "off-ramp" in suspending a local implementation similar to the new State of California Minimum Wage should economic conditions change drastically during 2017 and 2018. The Board recommendation allowed each jurisdiction the option to adopt additional exemptions should they chose to do so. Finally, starting in 2020, the local minimum wage would be modified by the Consumer Price Index for San Francisco-San Jose-Oakland for All Urban Wage Earners and Clerical Workers (CPI-W).

To date, no other Santa Clara County city has taken any additional action on implementing the recommended minimum wage ordinance from the Cities Association of Santa Clara County. The cities of Mountain View and Sunnyvale approved similar regional approaches prior to the Cities Association recommendation.

Discussion of a Morgan Hill Minimum Wage ordinance

Based upon the Cities Association of Santa Clara recommendation, an example of a Morgan Hill ordinance would analyze the August release of the Consumer Price Index for All Urban Wage Earners and Clerical Workers Consumer Price Index to calculate any future adjustment to minimum wage starting in 2020. If there is deflation, a decline in consumer prices, there would be no adjustment made and the minimum wage would remain the same as the prior year. If there is significant inflation, greater than 5%, the local minimum wage adjustment would be capped at a maximum of 5% for the following year.

The "Off Ramp" provisions are modeled after the State of California Minimum Wage which would allow Morgan Hill City Council to proclaim a suspension of a proposed Morgan Hill minimum wage when the following occurs:

- Total nonfarm employment in California decreases over the three month period from April to

June; and

- Cash collections of the State of California portion of Retail Sales tax declined year over year; and
- The State of California's General Fund is in deficit.

Should the City Council make these findings and determinations during 2017 or 2018 per the Cities Association of Santa Clara draft recommended Ordinance, the adjustment to Morgan Hill's minimum wage would be temporarily suspended during the following year.

The Cities Association of Santa Clara recommended not to add any exemptions but stated that is at the discretion of each local jurisdiction.

Based upon a history of Consumer prices, an analysis below shows an approximation of changes in Minimum Wage when pegged to historical averages of Consumer Price Index. Table A is meant to be illustrative of a CPI adjustment. There is no way to predict the actual change associated with future prices.

Table A below demonstrates an approximate analysis of the impact on increasing the minimum wage by the current San Francisco Region Consumer Price Indices rates.

Table A. Impact of 10 Year Average CPI Rate on Local Minimum Wage

	Column A	Column B
	State of CA Min	Example of a Morgan H based upon Cities Asso Recommendation
2016	\$10.00	\$10.00
2017	\$10.50	\$12.00
2018	\$11.00	\$13.50
2019	\$12.00	\$15.00
2020	\$13.00	\$15.37
2021	\$14.00	\$15.75
2022	\$15.00	\$16.13
2023	\$15.07	\$16.53
	State Adjustmen	Regional CPI

Column A. State adopted Minimum Wage for employers with 26 employees or more (Section 1182.12(b)(1)). Incr Morgan Hill proposed Minimum Wage with CPI adjustment pegged to the SF MSA Regional CPI-W The fiscal ir minimum wage ordinance are further described in the Fiscal and Resource impact section below. **Enfo** adopted, a local minimum wage in excess of the State of California minimum wage, requires enforce me California Department of Industrial Relations. If Morgan Hill does adopt a minimum wage in excess of th provide enforcement. Currently the cities of Mountain View, Sunnyvale, and Palo Alto contract directly v Assurance for enforcement. The enforcement method is a complaint based process. Depending on loc anticipated to be higher than subsequent years. First year enforcement costs could be up to \$5,000. **developing** Annual minimum wage bulletins to be posted by all employers and be solely responsible for about business obligations and enforcement.

COMMUNITY ENGAGEMENT: Involve

The December 16, 2015 Council memorandum on minimum wage outlined outreach and community engagement on the topic of increasing the minimum wage in Morgan Hill.

Staff presented an overview of an example ordinance to the Morgan Hill Chamber of Commerce at its Economic Development Committee on July 28, 2016.

Staff also conducted six community meetings on the potential for a Morgan Hill minimum wage ordinance. Outreach meeting and website feedback is attached as Attachment A-Morgan Hill Community Feedback.

ALTERNATIVE ACTIONS:

Follow the State of California Minimum Wage implementation.

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.

At the March 2, 2016 City Council meeting, Council received an overview of the regional minimum wage report being procured by City of San Jose. City Council directed staff to return with an ordinance that modifies the State of California minimum wage by the consumer price index for all urban wage earners for the City of Morgan Hill. Additional direction included providing a budget analysis associated with enforcement of an adoption of a local minimum wage. On May 18, 2016, the City Council received a consultant report on the impact of a regional minimum wage for Santa Clara County. In addition, per staff's recommendation, Council did not approve a local minimum wage ordinance given the State of California's recent passing of AB3 increasing the State of California Minimum Wage. Finally, City Council provided direction to Mayor Tate to support a regional approach to minimum wage being discussed by the Cities Association of Santa Clara County.

FISCAL AND RESOURCE IMPACT:

The City's five year budget forecast and Fiscal Years 2016-2017 and 2017-18 budgets include the impact of the State of California Minimum Wage as adopted in Senate Bill 3. Should the City Council elect to adopt a local minimum wage, the impact to the City of Morgan Hill as an employer will be an increase between \$1,000 and \$3,000 during the current budget year.

While past enforcement efforts of local minimum wage have been relatively minor, the City should also assume up to \$5,000 for any potential enforcement compliance through a contract with the City of San Jose's Office of Equality Assurance.

With an adoption of a local minimum wage, the City of Morgan Hill will be responsible for posting an annual minimum wage bulletin for local businesses. The cost of this is estimated to be \$1,500 annually. Additionally there will be cost associated with education and outreach to the community.

CEQA (California Environmental Quality Act):

Not a Project

LINKS/ATTACHMENTS:

Attachment A: Morgan Hill Community Feedback