



AGENDA BILL

Agenda Item No. 7

Date: August 18, 2015
To: El Cerrito City Council
From: Mayor Mark Friedman, and
Suzanne Iarla, Assistant to the City Manager
Subject: Study Session Regarding Establishing a Local Minimum Wage Ordinance

ACTION REQUESTED

This Study Session is an opportunity for the City Council to hear from a panel of experts, and to discuss and provide feedback regarding development of a local minimum wage ordinance. Should the Council wish to proceed with directing staff to prepare an ordinance for consideration, the Council is requested to provide specific direction regarding the elements it would like to see in a proposed local minimum wage ordinance for El Cerrito.

BACKGROUND

Income disparity, (or the gap between rich and poor), is growing in the United States. Many households supported by a single full-time current minimum wage earner are at or below the national poverty line set by the Federal government. Low-wage earners in the Bay Area are at a further disadvantage since the cost of living in the Bay Area is higher than the national average.

For the past two years, Mayor Friedman has been working with City Manager Scott Hanin to determine the best time and manner to bring this matter to the City Council for discussion. To that end, Mayor Friedman has also been working with a local coalition of partners who are working towards a long-term effort to cut poverty in Contra Costa County by raising awareness and addressing the systemic and structural causes of poverty. It has been the desire of the Mayor to seek a more regional approach but at the same time ensuring that El Cerrito moves quickly to address this issue.

Establishing a local “living wage” was identified as a strategy towards achieving the City’s Strategic goal of “*Ensuing the public’s health and safety*” at the Council’s strategic plan update study session held on March 28, 2015.

During the Study Session tonight, the City Council will hear from the following people:

- Contra Costa County Supervisor John Gioia

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- Mariana Moore, Director, Ensuring Opportunity Campaign to Cut Poverty in Contra Costa
- Annette Bernhardt, Senior Researcher, UC Berkeley Institute for Research on Labor and Employment/Labor Center
- Jennifer Lin, Deputy Director, East Bay Alliance for a Sustainable Economy, (EBASE)

Following the informational presentations, staff will lead the Council through a discussion to provide direction regarding what elements the Council would like to see in a draft local minimum wage ordinance. Staff will then draft a proposed ordinance and bring it back to the City Council for consideration in the coming months.

ANALYSIS

The current minimum wage in California is \$9.00 per hour (Effective since July 1, 2014). On January 1, 2016, the minimum wage in California will increase to \$10.00 per hour.

Living Wage in Contra Costa

The Massachusetts Institute of Technology (MIT) developed a living wage calculator to determine the wage needed to cover basic family expenses (basic needs budget) plus all relevant taxes for geographically specific areas. (The Calculator is available online at <http://livingwage.mit.edu/metros/41860>.) The MIT living wage model is a market-based approach to measure basic needs (i.e., a family's likely minimum food, child care, health insurance, housing, transportation, and other basic necessities (e.g. clothing, personal care items, etc.) costs. The living wage calculator estimates the living wage needed to support various household types.

Table 1 shows the living wage hourly rate that an individual must earn to support their family, if they are the sole provider and are working full-time (2080 hours per year) in Contra Costa County in 2014:

Table 1

Household Type	Living Wage Needed in Co.Co.County	Living Wage Needed in Bay Area	Poverty Wage
1 Adult	\$13.35	\$13.77	\$5.00
1 Adult 1 Child	\$26.90	\$27.91	\$7.00
1 Adult 2 Children	\$30.46	\$31.47	\$9.00
1 Adult 3 Children	\$38.70	\$39.92	\$11.00
2 Adults (One Working)	\$20.65	\$21.45	\$7.00
2 Adults (One Working) 1 Child	\$25.20	\$26.21	\$9.00
2 Adults (One Working) 2 Children	\$27.83	\$28.85	\$11.00

2 Adults (One Working) 3 Children	\$32.74	\$33.96	\$13.00
2 Adults	\$10.33	\$10.72	\$3.00
2 Adults 1 Child	\$14.60	\$15.10	\$4.00
2 Adults 2 Children	\$16.61	\$17.12	\$5.00
2 Adults 3 Children	\$19.76	\$20.37	\$6.00

**Poverty wage = National average for the poverty threshold used to determine eligibility for financial assistance from the federal government.*

Recently, a number of Bay Area municipalities have enacted local minimum wage ordinances as shown in Table 2, for example:

Table 2

Agency	Snapshot of current hourly rate (2015)
Berkeley	\$11.00
Emeryville	\$14.44 (large employers) & \$12.25 (small employers)
Oakland	\$12.25
Richmond	\$9.60

Richmond’s Living Wage Rates

In 2014, El Cerrito’s neighboring jurisdiction, the City of Richmond, established a “Living Wage” at \$9.00 with scheduled annual increases over the next five years (until 2019). After that time, the rate will be adjusted annually for inflation based on Consumer Price Index changes. As shown in Table 3, Richmond’s rate is intended to be comparable to the City of Berkeley’s living wage rate by 2019.

Table 3

Effective Date	City of Richmond
July 1, 2014	\$9.00 per hour
January 1, 2015	\$9.60 per hour
January 1, 2016	\$11.52 per hour
January 1, 2017	\$12.30 per hour
January 1, 2018	\$13.00 per hour
January 1, 2019 <	Adjusted per the Consumer Price Index

Goal for \$15/hr Wage by 2020

Presently the coalition working to increase the minimum wage in Costa Costa County is hoping to have as many jurisdictions as possible achieve a \$15 an hour minimum wage by 2020. Although still below a self-sufficiency wage, it will provide much greater economic stability for those working for the minimum wage. By phasing in increases over the next 4 years it will allow employers who pay the minimum wage to better adjust to the higher labor costs.

A recent study by the Center for Economic and Policy Research concluded that local minimum wage increases can raise the earnings of low-wage workers without a discernible impact on their employment. Increasing the minimum wage increases financial stability for families and stimulates the local economy by increasing consumer purchasing power.

FINANCIAL CONSIDERATIONS

This is an informational presentation only. Staff will determine the overall cost impact of a proposed ordinance to the City should a draft ordinance be developed for City Council consideration.

LEGAL CONSIDERATIONS

This is an informational presentation only.

Reviewed by:



Scott Hanin, City Manager

Attachments:

1. DRAFT of staff PowerPoint presentation
2. **“The Impact of Oakland’s Proposed City Minimum Wage Law: A Prospective Study”** by UC Berkeley Center for Labor Research and Education (also available online at <http://laborcenter.berkeley.edu/the-impact-of-oaklands-proposed-city-minimum-wage-law-a-prospective-study/>)
3. Executive Summary of “The Proposed Minimum Wage Law for Los Angeles: Economic Impacts and Policy Options” by UC Berkeley Center for Labor Research and Education, March 2015. Note: The full report is available online at <http://irle.berkeley.edu/cwed/briefs/2015-01.pdf>

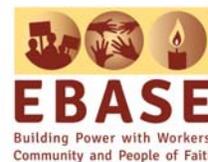


**STUDY SESSION ON
ESTABLISHING A LOCAL
MINIMUM WAGE**

El Cerrito City Council Meeting
August 18, 2015
El Cerrito City Hall

PRESENTERS:

- **Supervisor John Gioia**
- **Mariana Moore, Director**
Ensuring Opportunity Campaign
to Cut Poverty in Contra Costa
- **Annette Bernhardt, Senior Researcher**
UC Berkeley Institute for Research on Labor
and Employment/Labor Center
- **Jennifer Lin, Deputy Director**
East Bay Alliance for a Sustainable Economy
(EBASE)



CONTRA COSTA FAMILY OF FOUR

\$23,850 = 2014 Federal Poverty Level
(12.5% of CCCo. residents –131,800 men, women, children)

\$74,353 = Contra Costa Median Family Income (2012)

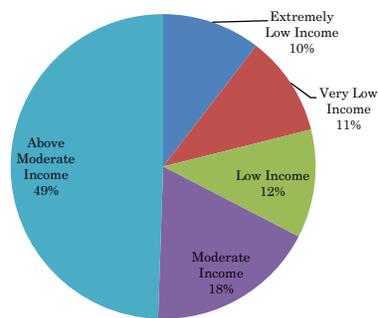
\$71,711 = Contra Costa Self-Sufficiency Standard
\$ needed to avoid relying on public assistance

\$37,440 = Two full-time jobs @ current CA minimum wage

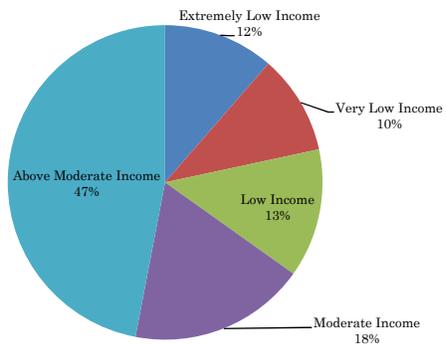


HOUSEHOLD INCOME CATEGORIES

El Cerrito



Contra Costa County



SNAPSHOT OF MEDIAN EARNINGS BY INDUSTRY IN CONTRA COSTA COUNTY

ORIGINAL SOURCE: 2009-2013 AMERICAN COMMUNITY SURVEY 5-YEAR ESTIMATES

	Total	Median earnings
Civilian employed pop. 16 years & over	491,161	\$45,310
Accommodation & food services	30,099	\$16,874
Ag, forestry, fishing & hunting	2,458	\$17,957
Arts, entertainment & recreation	10,097	\$22,397
Other services, except public administration	24,654	\$25,767
Retail trade	52,245	\$26,489
Administrative and support and waste management services	26,669	\$27,725

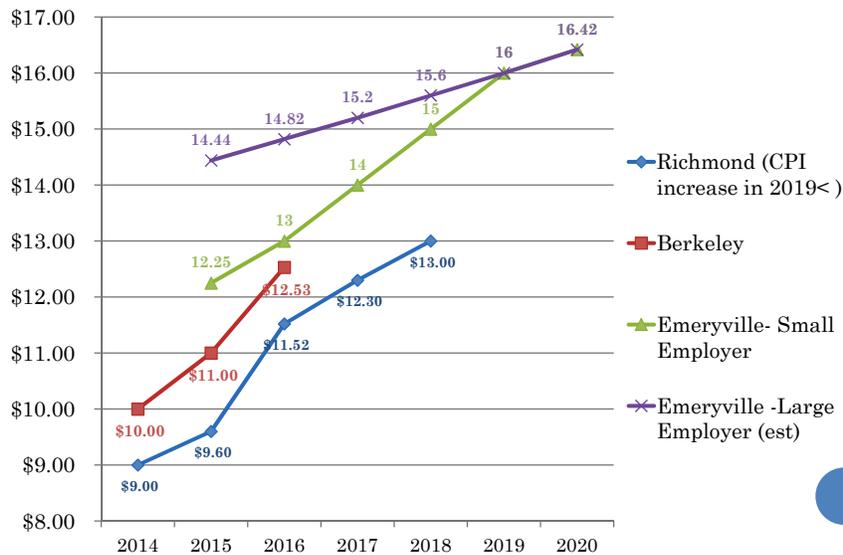
Within Contra Costa County,
the coalition is currently aiming
to achieve a
\$15.00/hour minimum wage
by 2020.

MINIMUM WAGE RATES

Agency	2015 Hourly Rate	2016 Hourly Rate	2016 increase as of
Statewide	\$9.00	\$10.00	Jan 1 st
Berkeley	\$11.00	\$12.53	Oct., 1
Emeryville	\$14.44 (large employers) & \$12.25 (small employers)	\$14.82 / \$13.00	July 1
Oakland	\$12.25	Adjusted by CPI	Jan. 1
Richmond	\$9.60	\$11.52	Jan. 1

ANNUAL WAGE INCREASES

Note: month of annual increase varies by city.



WAGE LEVEL

Most local minimum wage laws are phased in over a number of years.

- Is the minimum wage level of \$15.00/hr in 2020 the desired goal for El Cerrito?
- Alternative schedules could include a different wage level or timeline.



INDEXED TO C.P.I.

Most local minimum wage laws include annual increases indexing to cost of living.

- After 2020, should the wage level include annual increases based on Consumer Price Index for Urban Wage Earners and Clerical Workers for the Bay Area?



SMALL BUSINESSES & NPOS

Some cities have provided slower phase-ins for small businesses (San Francisco and Emeryville) or Non-Profit Organizations (Berkeley), however, this creates an additional administrative burden.

- Should there be a slower phase-in for small businesses?
- If the City Council wishes to consider a slower phase-in for small businesses, how should small business be defined (i.e. # of employees, gross receipts, etc.)
- Should there be a slower phase-in for non-profit organizations?

TOTAL COMPENSATION

Richmond's ordinance has a unique clause that allows a health care credit of up to \$1.50 per hour to be considered part of the wage.

Crediting health benefits towards a minimum wage would create significant enforcement challenges for the City.

- Does the City Council want to allow employers be able to crediting health benefits towards the minimum wage? If yes, what amount should be allowed as a credit? Should that amount be fixed or able to be adjusted by the City Council over time?

ENFORCEMENT

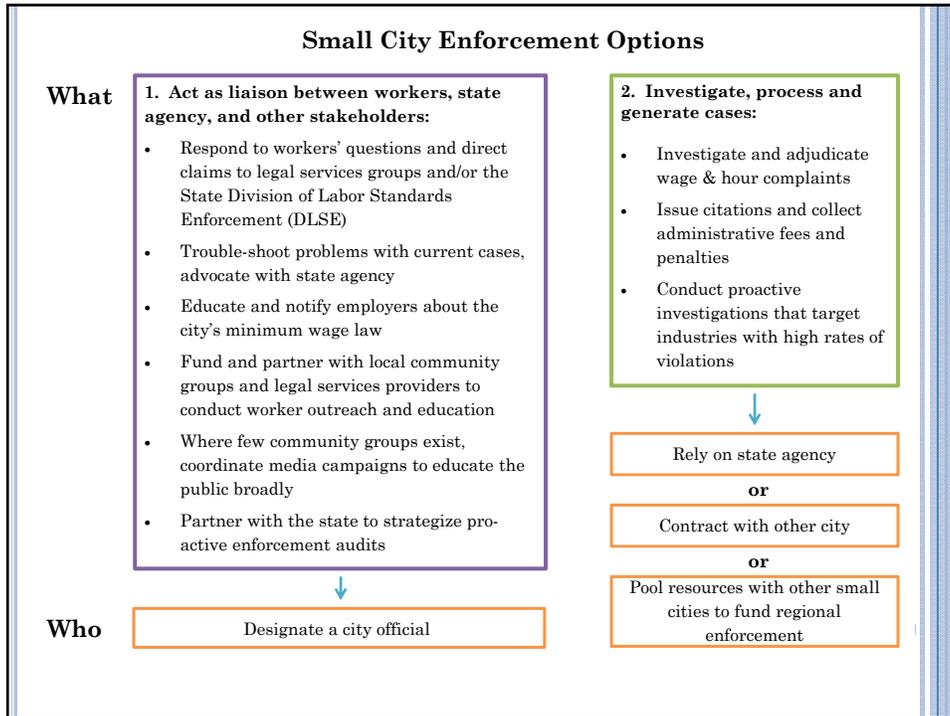
Best Practices:

- Private right of action
 - Damages and other penalties
 - Retaliation protections
 - Notice posting and record keeping provisions
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ENFORCEMENT ACTIVITIES

Since El Cerrito is a small city, with lean staffing, pro-active investigations to determine minimum wage compliance will likely be limited.

- Staff will evaluate the staffing needs for the program and research how other small cities are handling their programs as well as research if there are any agencies or non-profits that are potential partners to assist with education/outreach and complaints/enforcement.
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WAGE LIENS

A wage lien—a claim on property owned by the employer so that it cannot be sold without payment going to the worker—is one tool some states use to secure payment from employers found to owe back wages. Staff would need to research if this tool would be effective in El Cerrito.

- Does the City Council want staff to research if this tool would be effective in El Cerrito and develop a recommendation about including a provision to include wage liens?



NEXT STEPS



- City Council direction on options
- Continued Outreach to specific groups
 - Chamber of Commerce, business groups
- Community Input on Draft Ordinance
- City Council Consideration – possibly Oct/Nov



ADDITIONAL QUESTIONS
OR COMMENTS?

Thank you.