



THE CITY OF
NOVATO
CALIFORNIA

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STAFF REPORT

MEETING

DATE: July 23, 2019

TO: City Council

FROM: Michael L. Antwine II, Assistant City Manager

SUBJECT: **WORKSHOP TO DISCUSS THE ACCELERATION OF THE STATE OF CALIFORNIA’S MINIMUM WAGE INCREASE**

REQUEST

Facilitate a workshop for the Council, Community, & Stakeholders to discuss and provide feedback regarding a proposed acceleration of the State of California Minimum Wage pay schedule.

DISCUSSION

Senate Bill 3 (Leno, Chapter 4, Statutes of 2016) required all employers within the State of California to provide a minimum wage for all employees. The minimum wage will increase each year from 2017 through 2023 until a minimum of \$15.00/hr is reached.

Date	Minimum Wage for Employers with 25 Employees or Less	Minimum Wage for Employers with 26 Employees or More
January 1, 2017	\$10.00/hour	\$10.50/hour
January 1, 2018	\$10.50/hour	\$11.00/hour
January 1, 2019	\$11.00/hour	\$12.00/hour
January 1, 2020	\$12.00/hour	\$13.00/hour
January 1, 2021	\$13.00/hour	\$14.00/hour
January 1, 2022	\$14.00/hour	\$15.00/hour
January 1, 2023	\$15.00/hour	

Once the state minimum wage reaches \$15.00/hour for all employees, the rate will then be adjusted annually for inflation based on the national consumer price index for urban wage earners and clerical workers (CPI-W). The minimum wage cannot be lowered, and a minimum wage increase cannot be paused or withheld. The Governor may also accelerate the required minimum wage increases in the initial years if the adjusted CPI-W exceeds seven percent (7%) in the first year

The State of California allows for local Cities and Counties to establish a minimum wage for all employees working within their jurisdiction. Should an ordinance be established the effect of having different Federal, State and Local minimum wage rates governing a particular worker or

location is that the employer is required to pay the highest of those rates applicable to the employee at a particular time.

A request from a Councilmember was presented to the City Council to accelerate the minimum wage in Novato. Additionally, the North Bay Labor Council has proposed the acceleration of the minimum wage for all cities within Sonoma County citing the increasing cost of living within the North Bay Area. The City of Sonoma has accelerated their minimum wage and Petaluma as well as Santa Rosa are discussing an acceleration of their minimum wage. In 2016, Santa Clara County proposed an acceleration of their minimum wage though determined that it would align with the State Mandate rather than accelerating wages. Emeryville also had an acceleration discussion and adopted an ordinance that required the highest minimum wage in the State as of 2015 and is currently discussing the impact the wage has had on the City.

The Novato Council has agreed to facilitate this workshop in an effort to receive feedback from the community and key stakeholders to have a greater understanding of fiscal impacts, potential benefits as well as, any other related impacts associated with the proposal to accelerate the minimum wage.

FISCAL IMPACT

Depending on the direction of the City Council, the fiscal impact to the City of Novato listed in the table below:

***Assumptions: 155 part-time employees, 1000 hours maximum, amounts based on current actual wages paid to part-time employees.**

STATE OF CALIFORNIA MANDATED MINIMUM WAGE SCHEDULE				
Date	Minimum Wage for Employers with 26 Employees or More	Additional Cost Annually to City Budget	Additional Cost to City Budget off Current Wage	Cumulative Additional Cost to City Budget
January 1, 2020	\$13.00/hour	\$111,400	\$111,400	\$111,400
January 1, 2021	\$14.00/hour	\$143,000	\$254,400	\$365,800
January 1, 2022	\$15.00/hour	\$152,000	\$406,400	\$772,200

PROPOSED SCHEDULE FOR ACCELERATING MINIMUM WAGE				
Date	Minimum Wage for Employers with 26 Employees or More	Additional Cost Annually to City Budget		Cumulative Additional Cost to City Budget
July 1, 2019	\$12.75/hour	\$80,900		\$80,900
January 1, 2020	\$15.00/hour	\$422,220		\$503,120
January 1, 2021	\$15.00/hour	\$422,220		\$925,340
January 1, 2022	\$15.00/hour	\$422,220		\$1,347,560

COST DIFFERENCE BETWEEN STATE MANDATE AND PROPOSED ACCELERATION OF MINIMUM WAGE				
Date	Minimum Wage Difference per Hour	Additional Cost Difference		Cumulative Additional Cost Difference
July 1, 2019	\$0.75/hour	\$80,900		\$80,900
January 1, 2020	\$2.00/hour	\$310,820		\$391,720
January 1, 2021	\$1.00/hour	\$279,220		\$670,940
January 1, 2022	\$0.00/hour	N/A		N/A

If the City continues to align with the State of California’s schedule for the minimum wage increase it will cost the City an additional **up to \$772,200** over the next three (3) fiscal years. If the City accelerates the schedule for the minimum wage increase effective January 1, 2020 then it will cost the City an additional **up to \$1,347,560** or alternatively it would result in an added cost of up to **\$670,940** in additional wages over three years in excess of the cost of aligning with the State mandate. These fiscal impact projections may vary based on the city’s utilization and scheduling of part-time staff.

The costs associated with accelerating the minimum wage City-Wide may have significant fiscal impacts on the businesses within the City of Novato. It is additionally likely that any accelerated increase to minimum wage could cause financial hardships on local small businesses, reduce business growth and slow or stop the hiring of new employees. The increase of income received by employees from a minimum wage increase may result in a temporary increase in discretionary spending that may or may not increase potential tax revenue and temporarily boost the local economy.

PUBLIC OUTREACH

The Council would like to hear from as much of the City as possible including anyone impacted by a proposed minimum wage increase. Staff has reached out to the local community as well as impacted groups. Some of the groups that staff has reached out to include but are not limited to:

- City Website and Social Media
- Community
- Local Business Owners
- DNBA
- Chamber of Commerce
- County of Marin EDC
- EDAC

RECOMMENDATION(S)

Staff recommends the Council conduct the public workshop to receive feedback from the various stakeholders regarding the impact of the proposal to accelerate the State of California Minimum Wage schedule.