



THE CITY OF  
NOVATO  
CALIFORNIA

922 Machin Avenue  
Novato, CA 94945  
415/ 899-8900  
FAX 415/ 899-8213  
[www.novato.org](http://www.novato.org)

## STAFF REPORT

MEETING

DATE: August 27, 2019

TO: City Council

FROM: Russell S. Thompson, Assistant City Manager  
Michael L. Antwine II, Assistant City Manger  
Bryan Lopez, Management Analyst II  
Laura McDowall, Management Analyst II

SUBJECT: **CONSIDERATION, DISCUSSION AND POSSIBLE ACTION TO  
INTRODUCE AN ORDINANCE ACCELERATING THE STATE OF  
CALIFORNIA SCHEDULE INCREASING THE MINIMUM WAGE IN  
THE CITY OF NOVATO**

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### REQUEST

Consider, discuss and possibly introduce an ordinance accelerating the State of California schedule increasing the minimum wage in the City of Novato and finding that the introduction and adoption of the ordinance is exempt under CEQA Guidelines section 15061(b)(3).

### DISCUSSION

Senate Bill 3 (Leno) calls for a gradual increase to the minimum wage until it reaches \$15/hour on January 2023. At the City Council meeting of January 15, 2019 Councilmember Eklund proposed an item, and received unanimous support, to conduct a work study session regarding accelerating the minimum wage increase citywide. The City of Sonoma and the City of Petaluma recently accelerated their minimum wage, and Santa Rosa is discussing an acceleration in their jurisdiction.

On July 23, 2019, the City Council discussed the proposed minimum wage acceleration in a work-study session. Staff was directed to return to the City Council with an ordinance based on the recently adopted ordinance in the City of Sonoma, including several options for the Council to consider.

*Attachment 1* compares the various options that could be included in the minimum wage ordinance including:

- (a) Existing State Law;
- (b) City of Sonoma minimum wage schedule;
- (c) City of Petaluma minimum wage schedule;
- (d) Novato City Council Options 1 and 2

In addition to the desired hourly wage, the following policy decisions need consideration:

- (a) dates that minimum wage limits would become effective;
- (b) exempting employees covered by a collective bargaining agreement that clearly waived the protections of the city’s ordinance;
- (c) granting employers a credit of up to \$1.50/hour per employee for employer-paid medical benefits;
- (d) postponing the effective date of any wage increase that follows the governor’s determination that the state minimum wage increase is to be postponed; and
- (e) whether to include annual CPI to use to adjust the minimum wage; if yes, when to start it, which CPI to use and whether to include a maximum.

**Consumer Price Index (CPI)**

One of the policy decisions regarding the minimum wage ordinance is which CPI to utilize at the end of the proposed minimum wage increases, if any. The State of California’s minimum wage increase schedule provides that once the minimum wage reaches \$15/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 highest raise allowed in any one year is 3.5 percent, however, and the minimum wage cannot be lowered, even if there is a negative CPI. The first adjusted increases may be accelerated if the adjusted CPI-W exceeds seven percent in that first year.

The City of Sonoma’s ordinance utilizes Pacific Region CPI-U beginning in 2024, with a cap at 3.5% maximum. The City of Petaluma’s ordinance stipulates that beginning in 2021, the minimum wage for all Employers, regardless of size, will be adjusted based on CIP-W for the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical Area (or its successor index.)

The following chart summarizes a number of CPI options for Council consideration:

<b>CPI - MARCH 2019</b>	<b>CPI-U All Urban Consumers</b>	<b>CPI-W Urban Wage Earners and Clerical Workers</b>
US City Average (March 2019)	1.90%	1.80%
West (March 2019)	2.40%	2.40%
Western Region BC Class (<2.5M Pop.)	2.30%	2.10%
Pacific Region (AK, OR, WA, CA) (March 2019)	2.60%	2.50%
San Francisco-Oakland-Hayward, CA (February 2019)	3.50%	3.30%

Staff recommends the City Council, if they determine an accelerated local minimum wage increase ordinance is needed, direct staff to use the Pacific Region CPI-U with a 3.5% maximum, similar

to the City of Sonoma. This CPI is based on cities located in the following states: Alaska, California, Hawaii, Oregon, and, Washington.

### **FISCAL IMPACT**

The State of California's current required schedule and any acceleration or increase of the State's schedule has associated cost increases to City Operations, as shown in *Attachment 2*.

The costs associated with accelerating the minimum wage citywide will have fiscal impacts on the businesses within the City of Novato as well, increasing operating costs which could require businesses to implement efficiency offsets and improvements, or increase prices to consumers. If consumers are not willing to pay the increased costs of services, marginal businesses may not survive and employees could be forced to seek new employment. Additionally, increases to the 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 could potentially increase tax revenue and temporarily boost the local economy.

### **STRATEGIC PLAN ALIGNMENT**

This issue is not currently identified in the City's adopted Strategic Plan.

### **PUBLIC OUTREACH**

Staff has reached out to the local community as well as impacted groups using the City's Website and Social Media, including email subscribers, the North Bay Labor Council and local business owners through the Downtown Novato Business Association and the Chamber of Commerce.

Additionally, Staff presented this item to the Economic Development Advisory Commission at their meeting of Thursday, August 22, 2019. The Economic Development Advisory Commission recommends that the City Council keep with the state mandated scale and do not accelerate wages.

### **RECOMMENDATION**

Provide direction to staff on whether or not to accelerate the State of California's schedule to increase the minimum wage in the City of Novato.

### **ALTERNATIVES**

1. Introduce the ordinance increasing the minimum wage and finding that the introduction and adoption of the ordinance are exempt under CEQA Guidelines section 15061(b)(3)
2. Do not introduce the ordinance; remain on the State of California's schedule
3. Provide staff direction for specific modifications to the options presented.

## **ATTACHMENTS**

1. Wage Increase Options
2. Wage Increase Options - Cost to City Operations
3. Minimum Wage Policy Matrix
4. Draft Ordinance
5. Consumer Price Index (CPI) Information
6. City of Sonoma Ordinance 02-2019
7. City of Petaluma Ordinance 2691 N.C.S