



STAFF REPORT

AGENDA NO: Study Session

MEETING DATE: February 3, 2020

To: Honorable Mayor and City Council

Date: February 3, 2020

From: Lisa K. Goldman, City Manager – (650) 558-7243

Subject: Discussion of a Possible Local Minimum Wage Ordinance

RECOMMENDATION

Staff recommends the City Council discuss whether it wishes to increase the minimum wage in Burlingame and provide direction.

BACKGROUND

The minimum wage in California, which has increased each year since 2017, is currently \$13/hour for employers with 26 or more employees, and \$12/hour for employers with 25 or fewer employees. The California minimum wage will reach \$15/hour on January 1, 2022 for those employers with 26 or more employees; for smaller employers, the minimum wage will rise to \$15/hour on January 2, 2023. A year after the State minimum wage reaches \$15/hour, the hourly rate will increase annually based on a calculation tied to the consumer price index (CPI). The State minimum wage cannot be lowered, even if there is a negative CPI, and the highest increase allowed in any one year is 3.5%.

DISCUSSION

Cities are permitted by law to enact their own higher minimum wage ordinances, and many in the Bay Area have elected to do so, often with the increase occurring over several years. The following chart shows the minimum wage in effect in those San Mateo County cities that have enacted their own ordinances.

City	2020 Min. Wage	2021 Min. Wage	2022 Min. Wage
Belmont	\$15.00	\$15.90	2021 rate + CPI up to 3.5%
Daly City	\$13.75	\$15.00	2021 rate + CPI up to 3.5%
Menlo Park	\$15.00	2020 rate +CPI up to 3%	2021 rate + CPI up to 3%
Redwood City	\$15.38	2020 rate + CPI (no limit)	2021 rate + CPI (no limit)
San Mateo	\$15.38	2020 rate + CPI (no limit)	2021 rate + CPI (no limit)

South San Francisco	\$15.00	2020 rate + CPI (no limit)	2021 rate + CPI (no limit)
---------------------	---------	----------------------------	----------------------------

The local minimum wage in these cities applies to all adults and minors who work two or more hours per week. (Employees classified as Learners, as defined by the California Industrial Welfare Commission Order No. 4-2001, can be paid no less than 85% of the minimum wage for the first 160 hours of employment. Thereafter, the employees must be paid the minimum wage.) Tips and other benefits may not be considered as an offset to the minimum wage.

Several cities in the Bay Area, including Redwood City and San Mateo, participate in a joint contract with the City of San Jose's Office of Equality Assurance to provide enforcement for the local minimum wage ordinance. It is unknown at this time if the City of Burlingame could participate in this joint contract and what the cost would be, though a City of San Carlos staff report from last year estimates a cost of \$15,000 annually. Other cities provide enforcement in-house through their City Attorney's Office or City Manager's Office. In both cases, enforcement is complaint based and follows typical code violation procedures.

A number of other cities in San Mateo County are in the process of considering local minimum wage ordinances:

- **Half Moon Bay:** On December 17, the Half Moon Bay City Council directed staff to draft an ordinance establishing a local minimum wage of \$15/hour that will take effect on July 1, 2020. Staff presented the first draft of the proposed ordinance at the January 21, 2020 Council meeting. At that meeting, the Council agreed to delay the implementation of the ordinance until January 1, 2021.
- **San Carlos:** The San Carlos City Council considered a local minimum wage ordinance at its January 27, 2020 meeting. If adopted, the ordinance will increase the minimum wage in San Carlos to \$15/hour for all businesses effective July 1, 2020. Beginning January 1, 2021, the minimum wage will be \$15/hour plus CPI, up to 3.5%. Each January thereafter, the rate will be the previous year's rate, plus any CPI increase up to 3.5%.
- **East Palo Alto:** According to a Councilmember from the City of East Palo Alto, the City Council plans to discuss a local minimum wage ordinance prior to July 1, 2020.
- **Millbrae:** According to a Councilmember from the City of Millbrae, the City Council plans to discuss a local minimum wage ordinance in the future.

Local Minimum Wage in Cities Outside San Mateo County

Several cities in Santa Clara County have already adopted local minimum wage ordinances. The list includes: Cupertino, Los Altos, Milpitas, Mountain View, Palo Alto, San Jose, Santa Clara, and Sunnyvale. All of these cities include a CPI escalator.

Finally, the City and County of San Francisco has both a local minimum wage ordinance and a minimum compensation ordinance. The local minimum wage in San Francisco is currently \$15.59 and will increase by CPI on July 1. The minimum compensation ordinance (MCO) covers most City service contractors and tenants at the San Francisco International Airport. Under the MCO, employers must provide their employees with no less than the minimum compensation wage rate,

which is currently \$17.66/hour for for-profit employers, \$16.50/hour for public employers, and \$16.50 per hour for non-profit employers. These rates for for-profit and non-profit employers will rise by CPI on July 1, 2020. The rate for public entities will rise to \$17.50/hour provided the City appropriates funds for the increase in the City's budget.

Public Outreach

Mayor Beach has reached out to number of members of the Burlingame business community, including retailers and restaurateurs, to seek their input regarding a local minimum wage ordinance. In addition, staff has shared information about tonight's study session with the Chamber of Commerce, the Downtown Burlingame and Broadway BIDS, Burlingame Talks Shop attendees who submitted their email addresses, and through the eNews and social media.

Next Steps

Mayor Beach has asked that the City Council discuss whether Burlingame should have its own local minimum wage ordinance. If the Council would like to pursue such an ordinance, it should determine what the rate will be, when it will go into effect, and what future increases will be, if any. Alternatively, the Council could decide to table the matter, or it could decide to seek additional information.

FISCAL IMPACT

There is no fiscal impact associated with this study session item. Should the City Council choose to enact a local minimum wage ordinance at a future date, there will be unknown costs associated with noticing employers about the new wage rate and with enforcing the ordinance, either in-house or via a contract with another agency should that be available.

There will also be additional personnel costs in Public Works of approximately \$8,000 in the first year, and rising in subsequent years if the Council includes an escalator. The Parks and Recreation Department also would be affected, though the increased costs primarily would be borne by members of the public who participate in Parks and Recreation Department programs and would face increased fees. For example, in-house vacation camps and pre-school direct costs (including staff, supplies, and utilities) are covered by program participant fees. While the City would see an increase in staffing expenses, these increased costs would be recouped through raising program fees. Staff estimates that there would be an increase in program fees of 8-10% initially, which would rise if an escalator is included. Alternatively, the City could decide to cover some or all of the increased costs in order to lessen the burden on participants. Depending on the timing of any increase, the City may also need to cover the increased costs of some programs for a period of time since fees for Parks and Recreation Department programs are advertised well in advance of the start of the programs.