

BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY

AGENDA REPORT

For meeting of: **September 15, 2020**

TO: Honorable Mayor and City Council

VIA: Bob Nisbet, City Manager

FROM: Matthew Chidester, Deputy City Manager
Victor Gaitan, Management Analyst

TITLE: MINIMUM WAGE ORDINANCE IMPLEMENTATION

RECOMMENDATION:

Receive an update regarding the local minimum wage ordinance adopted on February 4, 2020 and provide direction on the January 1, 2021 implementation of the local minimum wage ordinance.

FISCAL IMPACT:

The implementation of the adopted local minimum wage ordinance is estimated to have an annual fiscal impact to be between \$20,000 and \$40,000 to account for the administration, outreach, and enforcement of the ordinance. These costs include staff time and any contracted support that may be necessary for enforcement. Funding would come from the general fund.

STRATEGIC ELEMENT:

This update supports the *Fiscal Sustainability* and *Inclusive Governance* elements of the Strategic Plan.

BACKGROUND:

The City Council made exploring the establishment of a local minimum wage one of their five strategic priorities for FY 2019-20. Following this direction, staff compiled research about the effects of local minimum wage ordinances on other cities and conducted outreach to local business stakeholders and labor groups to collect feedback on a potential change to the minimum wage in Half Moon Bay.

Staff presented research and outreach feedback to the City Council at their meeting on December 17, 2019. The City Council directed staff to draft an ordinance establishing a local minimum wage in Half Moon Bay of \$15 per hour that will take effect on July 1, 2020.

Staff presented the first draft of the proposed minimum wage ordinance to the City Council at their meeting on Tuesday, January 21, 2020. The proposed ordinance would increase the minimum wage in Half Moon Bay to \$15 per hour on July 1, 2020. During the public hearing portion of the item, several local businesses and residents spoke both in favor of the increase while some asked for more time to implement the changes. After discussion, the council unanimously agreed that it would be best to delay the implementation of the ordinance until January 1, 2021.

The adopted ordinance is scheduled to take effect on January 1, 2021. On that date, all businesses in Half Moon Bay will be subject to a City-wide minimum wage of \$15 per hour, and annual increases based on the Consumer Price Index will begin on January 1, 2022.

DISCUSSION:

Federal, State, and Local Minimum Wages

The minimum wage established by Federal, State and local government law sets the lowest wage an employer legally may pay to workers. The highest of any of these laws prevails.

The Federal minimum wage for covered nonexempt employees has been set at \$7.25 per hour since 2009.

In 2016, the California Governor signed legislation (SB 3, Leno) which will raise the State minimum wage to \$15 per hour by January 1, 2022 for employers with 26 employees or more and January 1, 2023 for employers with 25 employees or less. After January 1, 2023, future wage increases will be tied to changes in the Consumer Price Index (CPI), up to 3.5% per year. The Governor may suspend minimum wage increases during economic downturns. The increased minimum wage levels are applied uniformly across the state. The law also maintains existing exemptions in the minimum wage law. A table showing the implementation of the State Minimum Wage is below:

State of California Minimum Wage		
Effective Date	Employers w/ 25 Employees or Less	Employers w/ 26 Employees or More
January 1, 2016	\$10.00	\$10.00
January 1, 2017	\$10.00	\$10.50
January 1, 2018	\$10.50	\$11.00
January 1, 2019	\$11.00	\$12.00
January 1, 2020	\$12.00	\$13.00
January 1, 2021	\$13.00	\$14.00
January 1, 2022	\$14.00	\$15.00
January 1, 2023	\$15.00	\$15.00
January1, 2024	CPI	CPI

Despite the economic downturn caused by the COVID-19 pandemic, Governor Newsom announced on July 29, 2020 that the State of California would proceed with its scheduled minimum wage increase to \$14/hour for large employers and \$13/hour for small employers on January 1, 2021.

Currently, there are nine cities in San Mateo County with adopted local minimum wage ordinances (San Mateo, Belmont, Redwood City, Daly City, Menlo Park, South San Francisco, San Carlos, East Palo Alto, and Half Moon Bay). The City of East Palo Alto most recently adopted a local minimum wage ordinance on September 1, 2020 that will implement a \$15/hour minimum wage beginning on January 1, 2021. In addition, the City of Burlingame is currently considering the adoption of a local minimum wage ordinance.

Several cities in the state with adopted local minimum wages have delayed implementation or scheduled increases in response to COVID-19 impacts. Others have considered delays, but ultimately decided to move forward with implementation or scheduled increases.

During the last six months, staff has been in touch with business and labor representatives regarding the impacts of the minimum wage increase in Half Moon Bay, in light of the impacts of COVID-19 and the current economic downturn.

Several businesses, as well as the Chamber of Commerce, Hotel Business Improvement District, and Downtown Association have expressed renewed concerns about the implementation of a local minimum wage starting in January of 2021. They have cited the significant impacts small businesses have faced from the shelter-in-place and health orders, as well as the general impacts of the economic downturn. Specifically, they have pointed out that several of the business sectors most impacted by COVID-19 (hospitality, travel, retail, restaurants) are the same sectors that drive the local economy, and the compounded impact of an increased minimum wage would have serious consequences in Half Moon Bay, for both business owners as well as workers.

Representatives of the San Mateo County Central Labor Council and other local labor representatives have expressed overwhelming opposition to a delay of the implementation of the local minimum wage ordinance and noted that minimum wage workers have been severely affected by economic effects of COVID-19. Many of these individuals are facing evictions and mounting debt from past-due rent, and some have also been affected by the recent wild-fires.

Staff is preparing to create the necessary, documentation, notifications and outreach materials related to the implementation of the local minimum wage, and seeks direction on any changes or confirmation of the previously approved implementation schedule.

Attachments:

Summary of Minimum Wage Ordinances in San Mateo County

Attachment A:
Summary of Minimum Wage Ordinances in San Mateo County

City of San Mateo Minimum Wage		
Effective Date	Citywide	Nonprofit
January 1, 2016	\$10.00	\$10.00
January 1, 2017	\$12.00	\$10.50
January 1, 2018	\$13.50	\$12.00
January 1, 2019	\$15.00	\$13.50
January 1, 2020	\$15.00+CPI	\$15.00+CPI
January 1, 2021	CPI	CPI
January 1, 2022	CPI	CPI
January 1, 2023	CPI	CPI

City of Belmont Minimum Wage	
Effective Date	Citywide
January 1, 2018	\$12.50
January 1, 2019	\$13.50
January 1, 2020	\$15.00
January 1, 2021	\$15.00 + 2020 CPI + 2019 CPI
January 1, 2022	CPI
January 1, 2023	CPI

City of Redwood City Minimum Wage	
Effective Date	Citywide
January 1, 2019	\$13.50
January 1, 2020	\$15.38 (\$15.00 + 2019 CPI)
January 1, 2021	CPI

City of Daly City Minimum Wage	
Effective Date	Citywide
February 13, 2019	\$12.00
January 1, 2020	\$13.75
January 1, 2021	\$15.00
January 1, 2022 and thereafter	CPI

City of South San Francisco Minimum Wage	
Effective Date	Citywide
January 1, 2020	\$15,00
January 1, 2021 and thereafter	CPI

City of Menlo Park Minimum Wage	
Effective Date	Citywide
January 1, 2020	\$15,00
January 1, 2021 and thereafter	CPI

City of San Carlos Minimum Wage	
Effective Date	Citywide
January 1, 2021 (originally scheduled for July 1, 2020 but postponed)	\$15,00
January 1, 2022 and thereafter	CPI

City of East Palo Alto Minimum Wage	
Effective Date	Citywide
January 1, 2021	\$15,00
January 1, 2022 and thereafter	CPI