

# CITY OF FREMONT

RESULTS OF PUBLIC OUTREACH ON  
MINIMUM WAGE ORDINANCE

December 4, 2018



# Local Minimum Wage Ordinance Referral

- ▶ Staff responded to the City Council referral on July 17, 2018
  - Described what steps the State and other cities in our region have taken to increase the minimum wage
  - Identified segments of the Fremont community that might be impacted by a local minimum wage ordinance
  - Offered options for City Council action
- ▶ City Council directed staff to conduct public outreach and community meetings to receive resident and local business feedback

# Minimum Wage Increasing to \$15/Hour

- ▶ Statewide minimum wage reaches \$15/hour in 2022 or 2023

Effective Date (January 1)	Small Employers (25 or Less Employees)	Large Employers (26 or More Employees)
2019	\$11.00	\$12.00
2020	12.00	13.00
2021	13.00	14.00
2022	14.00	15.00
2023	15.00	Based on CPI

- ▶ Sixteen Bay Area cities have adopted local ordinances to reach \$15/hour earlier than the State

2018	2019	2020
5 cities	9 cities	2 cities



# Public Outreach Efforts

- ▶ City staff conducted public outreach to gather feedback from the affected segments of the Fremont community
  - Fremont Open City Hall online civic engagement forum
    - Designed to cover residents, businesses, non-profits, and employees
  - Public meeting with business representatives
  - Discussion with local non-profit leaders
  - Focus groups of low-wage employees in English and Spanish

# Fremont Open City Hall

- ▶ Online discussion topic available from August 29 - November 13 in English, Spanish, and Chinese
  - Received 539 visits and over 300 responses, with the majority of responses coming from Fremont residents
    - Over half of respondents identified either as employees of Fremont businesses (29%) or as businesses/non-profit organizations (23%)
- ▶ 62% of all respondents support adopting an accelerated minimum wage schedule, while 38% prefer to stay on the State's schedule
  - 69% of non-business respondents support adopting an accelerated minimum wage
  - 64% of the businesses/non-profits prefer to stay on the State's schedule

# Fremont Open City Hall (continued)

- ▶ 57% of the business/non-profit respondents reported that they would need to raise wages for many of their employees
  - 31% said they would not be impacted as they already pay most of their employees over \$15 per hour
- ▶ Businesses reported that strategies to address higher payroll costs include raising prices (48%), eliminating positions (42%), or reducing work hours (38%)
  - 30% of businesses said they would choose not to expand in Fremont, and 26% said they would either close or relocate outside the City

# Fremont Open City Hall (continued)

- ▶ Respondents identified both benefits and concerns related to a local minimum wage ordinance
  - Benefits
    - Partially addresses high cost of living, but not a substitute for a living wage
    - Assists families and workers across all age groups, not just students
    - Preserves economic diversity of Fremont community
    - Assists long-time resident renters to remain in Fremont
    - More time spent with family
    - Higher sales tax revenues
    - Improves worker retention for Fremont employers
  - Concerns
    - Small benefit for workers but big cost for businesses
    - Labor costs are magnified due to ripple effect on higher-paid and union employees
    - Reduced employment opportunities, particularly for students and entry-level workers
    - Aggravates unemployment in an economic downturn
    - Higher prices, with a particularly significant impact on fixed-income seniors
    - Doesn't address housing availability or affordability, increases cost of living
    - Disadvantages small businesses versus large chains
    - Discourages businesses from locating or remaining in Fremont
    - State is already addressing this issue
    - Wages should be set by the labor market, not government mandate

# Employer Perspective

- ▶ Local business outreach workshop held on October 11th
  - Primarily attended by local small business owners including cafes/restaurants, a pharmacy, and other retailers
- ▶ Planning, organizing, and making business decisions now to account for the State's minimum wage increases over the next several years
  - Accelerating that timetable would be a major disruption and impose economic hardship on affected businesses
- ▶ Raising wages for the lowest-paid workers creates a “ripple effect”
  - Increased taxes and insurance costs based on payroll expense
  - Pressure to increase compensation for more highly-paid employees



# Employer Perspective (continued)

- ▶ Responses to a more rapid increase in minimum wage could include:
  - Increased prices
  - Eliminating or reducing benefits and incentive/merit pay
  - Reducing staff (and customer service)
  - Negotiating rent reductions
  - Possibly going out of business or leaving Fremont (increasing commercial vacancy rates)
  
- ▶ Other observations:
  - Larger businesses better positioned to absorb increased staffing costs
  - Fewer entry-level employment opportunities
  - Discourage some businesses from locating or expanding in Fremont

# Non-Profit Perspective

- ▶ Special focus group held on November 2nd for the Fremont Family Resource Center leadership team and partner agencies
  - Non-profits or governmental agencies that employ low-wage staff will need to eliminate positions or reduce work hours if the minimum wage goes up
- ▶ Most participants expressed support for a local minimum wage ordinance in Fremont
  - Raised the concern that some workers could lose access to governmental benefits that are based on income
  - Increasing the minimum wage will provide a boost to many low-wage workers, but leaves many employees earning less than a “living wage”
  - Shouldn’t be expected to resolve the shortage of affordable housing

# Employee Perspective

- ▶ Two focus groups, one in English and one in Spanish, were conducted on November 15th with low-wage workers employed by Fremont businesses
  - Many of the participants are also Fremont residents
- ▶ Aware that employers in neighboring cities pay higher wages
  - Longer commutes, childcare needs, and proximity to school discourage them from working farther away from home
  - Many participants are working more than one job to support their families
  - In a number of cases, these workers are living in multi-generational households and may not be able to afford housing on their own

# Employee Perspective (continued)

- ▶ Strong support for a higher minimum wage
  - A common feeling that what the City is considering is “too little, too late” given the high cost of living in our region
  - At the \$15 per hour wage level, focus group members said they would still be struggling to provide for their families
  - Even so-called “affordable” housing would remain out of reach
  - Participants encouraged the Council to include a provision to ensure that the local minimum wage would remain higher than the statewide level even after it reaches \$15 per hour
- ▶ Concerned over losing access to Medi-Cal, CalFresh (food stamps), or school financial aid; but does not outweigh support for a higher minimum wage
  - Group members were also prepared to accept reduced staffing or increased workloads in return for higher pay

# Impact on City Services to the Community

- ▶ Majority of City's 688 part-time employees provide recreation or parks maintenance services
  - Wage levels range from \$11/hour to \$17/hour
  - Recreation Division part-time wages for 2018/19 total \$2.7 million
- ▶ State minimum wage schedule will increase Recreation Division costs \$107,000 annually between 2019 and 2022
  - Relatively modest cost increases can be passed along to participants through fee adjustments
- ▶ Accelerating to \$15/hour in 2019 would add \$500,000 of additional costs in 2018/19
  - To offset, the General Fund would need to subsidize the Recreation Cost Center for several years until fee revenue can catch up
  - Raising recreation fees more rapidly would reduce the subsidy

# City is Responsible for Ongoing Administration and Enforcement

- ▶ Administration activities include outreach and education for businesses and employees
  - Produce workplace posters in multiple languages showing the current minimum wage and providing contact information for questions and reporting complaints
- ▶ Enforcement activities involve answering queries, investigating complaints, and holding administrative and appeal hearings
  - Most cities are contracting with the City of San Jose for enforcement
  - Some cities have staffed this function internally
- ▶ Annual costs could range from \$15,000 (contract out) to \$180,000 (staff internally)

# Local Ordinance Implementation

- ▶ Agencies with local ordinances have phased increases over several years in annual steps ranging between \$1 and \$2.50
- ▶ Three years remain until the State reaches \$15/hour
  - 2019 – \$4 step (36%) for small and \$3 (25%) for large employers
  - 2020 – two steps averaging \$2 (17%) for small and \$1.50 (12%) for large employers
- ▶ One possible approach the City Council could consider:

Effective Date	Minimum Wage
January 1, 2019	\$11.00/\$12.00
July 1, 2019	\$13.50
July 1, 2020	\$15.00

# Options for City Council Action

- ▶ Continue to operate under the State's increasing minimum wage schedule
  - \$15/hour for all employees by January 2023
- ▶ Direct staff to develop an accelerated minimum wage schedule and local minimum wage ordinance
  - Staff would return to Council to present a draft schedule and ordinance
  - Council may need to provide further guidance on specific timing or policy alternatives