

CITY OF FREMONT

CONSIDERATION OF MINIMUM WAGE ORDINANCE

January 15, 2019

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
- ▶ Staff presented summary of public outreach efforts to the City Council on December 4, 2018
 - Fremont Open City Hall online civic engagement forum
 - Public meeting with business representatives
 - Discussion with local non-profit leaders
 - Focus groups of low-wage employees in English and Spanish
- ▶ City Council directed staff to prepare single-tier and two-tier versions of an ordinance for its consideration

Public Outreach -- Benefits and Concerns

▶ 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

- Disadvantages small businesses versus large chains
- Reduced employment opportunities, particularly for students and entry-level workers
- Small benefit for workers but big cost for businesses
- Labor costs are magnified due to ripple effect on higher-paid and union employees
- Lower service levels, particularly for non-profit organizations
- Aggravates unemployment in an economic downturn
- Doesn't address housing availability or affordability, increases cost of living
- Higher prices, with a particularly significant impact on fixed-income seniors
- Some workers could lose access to benefits based on income
- 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

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	
2024	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

Single Tier Implementation – Exhibit A

- ▶ Does not distinguish between large and small employers
 - Similar to the other cities in our region with local ordinances

Effective Date (July 1)	All Employers
2019	\$13.50
2020	15.00
2021	Based on CPI

- ▶ The \$15.00 per hour minimum wage will be adjusted in future years by the local consumer price index
 - Prevent erosion of value due to inflation
 - Consistent with the State’s schedule and most local ordinances
 - A strong concern expressed by participants in the employee focus groups conducted as part of our public outreach

Two Tier Implementation – Exhibit B-1

- ▶ Gives small employers an additional year to reach the same minimum wage level as large employers
 - Similar to the State’s implementation schedule

Effective Date (July 1)	Small Employers (25 or Less Employees)	Large Employers (26 or More Employees)
2019	\$11.00	\$13.50
2020	13.50	15.00
2021	15.00	Based on CPI
2022	Large Employer Level - Increases based on CPI	

- ▶ Increases the small employer minimum wage to the large employer level on July 1, 2022
 - Subsequently, both large and small employers would be subject to the same minimum wage increasing by the local consumer price index

Two Tier Implementation – Exhibit B-2

- ▶ Gives small employers an additional year to reach the same minimum wage level as large employers
 - Similar to the State’s implementation schedule

Effective Date (July 1)	Small Employers (25 or Less Employees)	Large Employers (26 or More Employees)
2019	\$11.00	\$13.50
2020	13.50	15.00
2021	15.00	Based on CPI
2022	Based on CPI	

- ▶ Each employer tier increases independently in the years after the \$15.00 per hour target level is reached
 - Permanently maintains a minimum wage differential between large and small employers

Exemption for Youth

- ▶ Exempt employees up to twenty-five years of age who are employed by a non-profit or governmental entity
 - After school or summer employment
 - Student internships
 - Paid volunteer activities
 - Job training programs (no longer than 120 days)
- ▶ Intended to preserve opportunities for youth, students, and trainees
- ▶ Response to feedback received through public outreach
- ▶ Could substantially reduce the fiscal impact to the City's recreation program
 - Majority of City's part-time recreation workers are high school or college students

Impact on City Services to the Community

- ▶ Inclusion of the youth exemption eliminates most of the impact to recreation services
 - Otherwise, additional annual costs could have exceeded \$500,000
- ▶ Annual costs for park maintenance and certain other services could increase by up to \$50,000

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)

Options for City Council Action

- ▶ Continue to operate under the State's increasing minimum wage schedule
 - \$15/hour for all employees by January 2023
- ▶ Select and introduce the preferred version of the local minimum wage ordinance attached to this report
 - Exhibit A – Single Tier
 - Exhibit B-1 – Two Tier Converging to Single Tier in 2022
 - Exhibit B-2 – Two Tier
- ▶ Direct staff to make specified revisions to the preferred version of the local minimum wage ordinance and return to Council for approval