CUPERTINO

WAGE WATCH

Staff Presentation
September 20, 2016
Jaqui Guzman, Assistant to the City Manager
Background

- Last fall: Minimum Wage Advisory Committee convened study economic impact
- April 4th: Governor Brown signs new CA Minimum Wage Law
- May 17th: Staff presents results of regional economic analysis and employer survey
- June 9th: Cities Association recommends increase to $15 by 2019 followed by model ordinance on July 27th
- June-August: Local employer survey and business outreach
Outreach Efforts

Per Council direction, staff gathered feedback from business community

Business Community Outreach

- Local Online Employer Survey
  - Postcards
  - E-blasts
- Article in Cupertino News & Updates
- Presentations at Chamber of Commerce
- Business Outreach Forums
  - Chamber of Commerce
  - Quinlan
  - City Hall

Community-wide Efforts

- Website: [www.cupertino.org/wagewatch](http://www.cupertino.org/wagewatch)
  - All staff reports
  - Economic Analysis
  - Employer Survey
- Cupertino Scene
- Fact Sheet
- Online Community Poll
Regional survey and community poll respondents were more likely to agree that an increase makes sense and favor a regional approach compared to local employers.

Survey Response Comparison

- **An increase makes sense given the high cost of living in Silicon Valley**
  - Community: 74%
  - Regional Employers: 76%
  - Local Employers: 32%

- ** Favor a regional approach to the minimum wage**
  - Community: 72%
  - Regional Employers: 75%
  - Local Employers: 50%
Regional vs. Local Employer Survey

- **Will help reduce income inequality**: 65% (Regional) vs. 30% (Local)
- **Will make it harder to start business**: 61% (Regional) vs. 82% (Local)
- **Will have to close**: 21% (Regional) vs. 14% (Local)
- **Likely to increase prices**: 66% (Regional) vs. 77% (Local)
Community Tolerance for Price Increases

Majority of community poll respondents would be willing to pay up to 3% more for goods and services to help reduce income inequality.
Business Outreach Meetings

Suggestions for moving forward with increase:

• Exemption for new and temporary seasonal employees, targeting summer jobs for teens.

• Exclude tipped employees from the ordinance, as many tipped employees may already make substantially more than the minimum wage rate.

• Look into policies to provide small businesses with relief for increasing commercial rents.

• Advocate for state-level regulatory relief
## Tradeoffs of Increasing Minimum Wage

### Benefits
- Average increase in earnings of 19.4% for 250,000 workers
- Largely benefits working families that are near the poverty level
- Nearly zero impact on employment in 10 county region
- Community indicated tolerance for price increase

### Costs
- Some employers would likely close or relocate
- Slightly negative net effect on employment at county level (1,450 jobs)
- Increase average prices in Santa Clara County by 0.2% over three years (3.1% higher for restaurants and retail)
Proposed Ordinance

• Model ordinance proposed by Cities Association
  – $15 by 2019, then increased by CPI-W up to 5%
  – Includes ability to postpone increase for negative economic conditions (similar to state)
  – No exemptions
Increases minimum wage to $15 an hour by 2019 with no exemptions

### Schedule of proposed minimum wage increases

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Proposed Increase</th>
<th>Business with more than 25 employees</th>
<th>Businesses with 25 or fewer employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$12.00</td>
<td>$10.50</td>
<td>$10.00</td>
</tr>
<tr>
<td>2018</td>
<td>$13.50</td>
<td>$11.00</td>
<td>$10.50</td>
</tr>
<tr>
<td>2019</td>
<td>$15.00</td>
<td>$12.00</td>
<td>$11.00</td>
</tr>
<tr>
<td>2020</td>
<td>$15.35*</td>
<td>$13.00</td>
<td>$12.00</td>
</tr>
<tr>
<td>2021</td>
<td>$15.65*</td>
<td>$14.00</td>
<td>$13.00</td>
</tr>
<tr>
<td>2022</td>
<td>$16.00*</td>
<td>$15.00</td>
<td>$14.00</td>
</tr>
<tr>
<td>2023</td>
<td>$16.40*</td>
<td>$15.30*</td>
<td>$15.00</td>
</tr>
</tbody>
</table>

* The scenario schedule after 2019 is indexed using the average annual increase in the CPI-W Bay Area (Proposed Increase) of 2.2% and U.S. All Cities (State) of 1.7%.
Exemptions Based on Feedback

• Learners (regardless of age)
  – May be paid not less than 85% of the minimum wage during first 160 hours of employment.

• Tipped employee exemption
  – Must define tipped employee
  – Combined cash and tip minimum wage or max tip credit towards minimum wage
  – Must still comply with State minimum wage law
# Regional Update

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Current Min. Wage</th>
<th>Response to Regional Approach/Next Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campbell</td>
<td>$10.00</td>
<td>Council consideration on October 4, 2016</td>
</tr>
<tr>
<td>Cupertino</td>
<td>$10.00</td>
<td>Council consideration on September 20, 2016</td>
</tr>
<tr>
<td>Gilroy</td>
<td>$10.00</td>
<td>Declined to consider</td>
</tr>
<tr>
<td>Los Altos</td>
<td>$10.00</td>
<td>Second reading on September 27, 2016</td>
</tr>
<tr>
<td>Los Altos Hills</td>
<td>$10.00</td>
<td>Council determined that it was not applicable due to the absence of commercial/industrial zones on July 21, 2016</td>
</tr>
<tr>
<td>Los Gatos</td>
<td>$10.00</td>
<td>Mayor scheduling study session</td>
</tr>
<tr>
<td>Milpitas</td>
<td>$10.00</td>
<td>Outreach efforts continuing through October</td>
</tr>
<tr>
<td>Monte Sereno</td>
<td>$10.00</td>
<td>Council to consider in September or October</td>
</tr>
<tr>
<td>Morgan Hill</td>
<td>$10.00</td>
<td>Council considered on August 24&lt;sup&gt;th&lt;/sup&gt;, future reconsideration TBD</td>
</tr>
<tr>
<td>Mountain View</td>
<td>$11.00</td>
<td>Adopted increase to $15 by 2018</td>
</tr>
<tr>
<td>Palo Alto</td>
<td>$11.00</td>
<td>Council consideration on September 26, 2016</td>
</tr>
<tr>
<td>San Jose</td>
<td>$10.30</td>
<td>Council consideration TBD</td>
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<tr>
<td>Santa Clara</td>
<td>$11.00</td>
<td>Council consideration TBD</td>
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<tr>
<td>Saratoga</td>
<td>$10.00</td>
<td>Council consideration in November</td>
</tr>
<tr>
<td>Sunnyvale</td>
<td>$11.00</td>
<td>Adopted increase to $15 by 2018</td>
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</tbody>
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Fiscal Impact to City

• Increase in Personnel Costs
  – Will need salary schedule amendment for PT staff
  – $265,000 over three years (0.3% increase)

• Contract Costs
  – Crossing Guards: $75,000 over three years (13.5% increase)
  – Janitorial: $200,000 over three years (30% increase)

• Enforcement
  – Both Mountain View and Sunnyvale contract with San Jose (Office of Equality Assurance) using a complaint-driven model ($5,000 annually)
LEARN MORE AT:
WWW.CUPERTINO.ORG/WAGEWATCH

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