



Policy and Services Committee TRANSCRIPT

Special Meeting
Tuesday, April 28, 2015

Chairperson Burt called the meeting to order at 7:02 P.M. in the Council Chambers, 250 Hamilton Avenue, Palo Alto, California.

Present: Berman, Burt (Chair) DuBois, Wolbach

Absent:

Oral Communications

None.

Agenda Items

1. Auditor's Office Quarterly Report as of March 31, 2015.

Harriet Richardson, City Auditor, reported as of March 31, 2015 Staff was working on the Cable Franchise Fee Audit. Staff had completed the planning and field work and submitted a draft report for review. Staff had hired a cable communications consultant to assist with the audit and worked closely with the City Attorney's Office. Staff expected to present the audit to the Policy and Services Committee (Committee) on June 10, 2015. Staff completed the Audit of Utility Meters Procurement, Inventory and Retirement, and the Council approved it on April 27, 2015. The purpose of the audit was to determine if the Utilities Department followed the proper procedures when procuring inventory and retiring utility meters. Staff was currently working on an Audit of Parking Funds. Staff was reviewing whether Parking Funds were properly calculated, collected, accounted for, and used in compliance with applicable laws, regulations, policies, and governing documents. Staff had completed planning and field work and drafted a report. Staff would likely present the audit at the first Committee meeting after the Council vacation. Staff completed the National Citizens Survey and published it on January 26, 2015. Staff would present the results with the Annual Performance Report at a Study Session scheduled for June 1, 2015. Staff expanded the number of participants in the survey from 1,500 to 3,000. The Annual Performance Report was in progress. Traditionally the report covered five years of historical data and the current year. This year it would include ten years of historical data. The report would be divided into two parts. Part Two would contain the traditional

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department-by-department information with all data tables. Part One would be based on themes to better describe interrelated activities among departments. Staff continued to review sales and use tax allocations. As of the end of the third quarter, the City had received \$59,302 in total sales and use tax recoveries. The City's vendor collected approximately \$23,000 of the \$59,302. Staff had submitted 43 research documents to the State for review. The City Auditor's Office continued to serve in advisory roles to the Utilities Risk Oversight Committee, the Library Bond Oversight Committee, the Information Technology Governance Review Board, and the Information Securities Steering Committee. Staff anticipated the Library Bond Oversight Committee would conclude its work now that both libraries had been constructed. The Fraud, Waste, and Abuse Hotline did not receive any complaints during the quarter; the second consecutive quarter of no complaints. She planned to review and update the protocols during the next few months.

Council Member DuBois noted the Annual Performance Report was usually provided to the Council for use in the Budget process; however, it seemed to be late.

Ms. Richardson planned to release the data tables on April 30, so that the Council would have those for use during the Budget process.

Council Member DuBois indicated the National Citizens Survey data would be almost a year old by the time it was published.

Ms. Richardson advised that Staff had issued data in January 2015; however, it was usually presented to the Council with the Annual Performance Report in a Study Session. The delay was the result of Staff's questions about changes the National Research Center made in compiling information. The Annual Performance Report was late because of the changes made to the report.

Council Member DuBois asked if those items would return to their usual timeframe.

Ms. Richardson replied yes. She would present the Work Plan at the next Committee meeting. Traditionally, she did not present that until after the Council Vacation.

Council Member DuBois inquired whether any other performance audits were under way.

Ms. Richardson reported Staff completed the Animal Services Audit in March 2015 and presented it to the Finance Committee in April. She would update

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her report to include the Animal Services Audit prior to providing it to the Council.

MOTION: Council Member DuBois moved, seconded by Council Member Wolbach to recommend the City Council accept the Auditor's Office Quarterly Report as of March 31, 2015.

MOTION PASSED: 4-0

2. Recommendation to Adopt an Ordinance Requiring All Employers to Pay a Specified Minimum Wage to Employees Working within the City Boundaries.

Khashayar Alaee, Senior Management Analyst, requested public comment be taken prior to the Staff Report to allow additional Staff to attend the meeting.

Chair Burt agreed.

Darryl Fenwick advised that 2015 studies showed that raising the minimum wage had a dis-employment effect on low-skilled workers. Taxing employers who were attempting to assist workers could be the wrong approach. He suggested a subsidy through some kind of solidarity fund or business contributions to a fund.

Paul George, Peninsula Peace and Justice Center Director, reported more than 60 percent of small business owners supported an increase in the minimum wage, because it decreased employee turnover, reduced training costs, and improved customer service. The Council's willingness to raise the local minimum wage was clear. A living wage for the area for an average family with children would be well over \$20 per hour. A self-sufficient wage would be slightly more than \$15. An hourly wage less than \$15 would fall short of the Council's goal of "economic fairness and opportunity for all." An Ordinance should include clearly defined increases that would bring Palo Alto's minimum wage to no less than \$15 by no later than 2018.

Scott Myers-Lipton, San Jose State University Professor, stated in the two years since the City of San Jose raised the minimum wage by 25 percent, the unemployment rate had decreased from 7.6 percent to 4.6 percent; the leisure and hospitality industry had increased by more than 7 percent; and restaurant business had increased 20 percent. He hoped the Council would approve a minimum wage of \$15 by 2018.

Chair Burt noted Staff was present to provide a report, which could inform public comment. He suggested pausing public comment for the Staff Report, unless speakers objected.

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Reverend Geoff Browning felt increasing the minimum wage was the right thing to do for many reasons. He encouraged the Council to act boldly in order to bring a modicum of equity into the chasm between the wealthy and those trying to get by.

Cara Silver, Senior Assistant City Attorney, reported many cities were adopting Minimum Wage Ordinances. The proposed Ordinance modeled Ordinances adopted by Sunnyvale, Mountain View, and San Jose. The draft Ordinance added a new section, Chapter 4.62, to the Municipal Code; set a local minimum wage of \$10.30; and provided annual increases for the minimum wage based on the Consumer Price Index (CPI). Currently, the Ordinance would become effective 31 days after a second reading; however, the Council could decide to delay implementation. The draft Ordinance applied to all employers subject to the City's Business Registry Ordinance and covered all employers who maintained a business facility within the City of Palo Alto. The draft Ordinance contained exclusions for sovereign immunity exemptions. Under sovereign immunity, the City could not regulate the Veterans Health Administration and Palo Alto Unified School District. The draft Ordinance applied to employees who worked a minimum of two hours per week within the City's boundaries. The draft Ordinance applied equally to tipped employees, but exempted independent contractors. The draft Ordinance required employers post notices of wage rates and employees' rights; contained translation requirements; prohibited retaliation and discrimination; and required employers maintain payroll records for a minimum of four years. With respect to compliance and enforcement, the draft Ordinance provided public and private remedies. Employees had a civil right of action against employers; however, the City could also enforce the Ordinance. The City of San Jose was willing to assist the City with enforcement on a fixed-price basis. Staff expected the price to be rather modest, unless significant or protracted violations occurred. Senate Bill (SB) 13 would institute a State-wide minimum wage of \$11 in 2017. Mountain View was exploring a minimum wage of \$15 by 2018. Seattle adopted an incremental increase to \$15 by 2018.

Council Member Berman clarified that SB 13 called for a minimum wage of \$11 in 2016 and \$13 in 2017.

Ms. Silver indicated Seattle considered employers with less than 500 employees and demarcated employers that did and did not provide medical insurance.

Ed Shikada, Assistant City Manager, found a relationship between the simplicity and understandability of the Ordinance and its implementation. Compliance rates within San Jose were good. The City's communications

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regarding the new Business Registry would be an asset to implementing a minimum wage.

Reverend Eileen Altman, First Congregational Church of Palo Alto, advised that the Church's Outreach Board endorsed raising the minimum wage in Palo Alto. She encouraged the Policy and Services Committee (Committee) to implement an increase to \$15 an hour sooner.

Winter Dellenbach felt an increase would not help all low-wage workers. Many people living in below market rate housing paid approximately \$700 per month for rent, the approximate amount of income they would receive from an increase in the minimum wage. A minimum wage of less than \$15 per hour was not worth the Council's time.

Esha Menon, Working Partnerships USA, indicated many workers would continue to have financial troubles with an increase to \$10.30. Even with a minimum wage increase, high housing costs in Palo Alto would continue to force workers to live outside Palo Alto. She supported raising the minimum wage to \$15 per hour by 2018 if not sooner and the inclusion of a collective bargaining opt-out.

Alison Hicks was appalled by the great income gap characteristic of the 21st Century economy. She urged the Committee to address the minimum wage effectively through raising the minimum wage to \$15 by 2018.

Mariam Andrade, as a fast food worker, needed \$15 per hour to support her family. She and her husband worked hard to support their family.

Lacey Lutes worked minimum wage jobs while attending college. Often she worked longer hours rather than studying in order to afford food. She urged the Council to take a small step toward closing a large economic disparity.

Jessica LaMaack, California Restaurant Association, reported restaurants faced thin profit margins as technology companies provided meals for their employees. Minimum wage increases should be gradual and phased in. An Ordinance should contain triggers for economic review and include a training or teen wage to preserve entry-level jobs. She requested the Committee include a total compensation model in the Ordinance.

Meghan Fraley, Raise the Wage South Bay Coalition, indicated Mountain View included in its proposed Ordinance a schedule for raising the minimum wage to \$15 by 2018. She suggested the Committee include a similar schedule in the proposed Ordinance. The current living wage for a single adult in Palo Alto was \$14.26, which supported a minimum wage of \$15 per hour.

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Scott Weikart advised that studies had shown that an increase in the minimum wage created no real impact on jobs. Families rather than teenagers were attempting to live on minimum wages. States that raised the minimum wage in 2014 had a higher increase in employment of teenagers than other states. He encouraged the City to increase the minimum wage at least as high as neighboring cities.

Qiao Li reported his hourly wage as a homecare worker was \$12.81. In order to live in Palo Alto, he needed to find a second job. The rent for his studio apartment was more than \$1,500 per month. Raising the minimum wage would help low-wage workers.

Randall Jones noted that no retail business owners lived in their cars and no restaurant owners received food stamps. In the early 2000s, Oregon increased the minimum wage to \$8.50 and suffered no negative effects. He suggested the Committee increase the minimum wage to \$15 in 2016.

Brian O'Neill, Service Employees International Union 521, was committed to people working in low-wage jobs. Most low-wage workers were not trainees or teenagers. Increasing wages for low-wage workers would increase wages for other workers. He supported a tiered increase in the minimum wage.

Rainer Pittham took issue with studies mentioned in the Staff Report. Raising the minimum wage was good for the economy.

Chair Burt suggested the Committee first identify issues for discussion, and then discuss each issue.

Council Member Berman noted the current minimum wage in California was \$9 an hour and would increase to \$10 an hour January 1, 2016. He asked if a minimum wage amount different from that set by San Jose, Mountain View, and Sunnyvale would cause San Jose to withdraw its offer to assist with enforcement.

Mr. Shikada had not discussed that with San Jose, but suspected San Jose would be willing to discuss it in order to understand additional workload. A different dollar amount would not necessarily change the type of work San Jose would perform. Changing exemptions and such could impact San Jose's workload.

Council Member Berman was intrigued by increasing the minimum wage to \$15 per hour by 2018, but asked how the City could implement an increase.

Ms. Hicks advised that the Raise the Wage Coalition spoke with Mountain View staff who reported San Jose could offer enforcement services if the City utilized a different dollar amount.

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Council Member Wolbach wished to discuss teenagers, tipped employees, collective bargaining agreements, amounts to target for the short term and long term, a schedule for minimum wage increases, phase-in for different types of employers, potential dis-employment, working with other cities in the region, simplicity of the Ordinance, and impacts to employers and the local economy. He inquired about auxiliary organizations as stated in the Staff Report.

Ms. Silver would need to review the Municipal Code. Because it fell under the Education Code, it was probably a specific term utilized in the Palo Alto Unified School District (PAUSD) arena.

Council Member DuBois requested the definition of a business facility as stated in the proposed Ordinance.

Ms. Silver indicated the proposed Ordinance did not define business facility; however, Staff could include a definition. Typically a business facility was defined as an office or some type of physical presence in the City.

Council Member DuBois asked if Staff had specific businesses in mind that would be excluded from the Ordinance.

Ms. Silver explained that those were the two criteria used in San Jose's initiative. Cities had different Business Registry requirements. In Palo Alto, transitory businesses were not subject to the Business Registry. Only businesses with a physical office location were currently subject to Palo Alto's Business Registry.

Council Member DuBois inquired whether a gardening business working out of trucks or a business located in a home would be exempt from the Ordinance.

Ms. Silver replied yes.

Council Member DuBois asked if the minimum wage would decrease should the Consumer Price Index (CPI) decrease.

Ms. Silver answered no, the minimum wage would not decrease.

Council Member DuBois inquired about the length of time that San Jose communicated with businesses.

Mr. Shikada believed San Jose took about 90 days for notifications to businesses. It would be relatively easy to communicate with Palo Alto businesses as the City continued to communicate regarding the Business Registry.

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Council Member DuBois inquired about current enforcement procedures in Palo Alto.

Chair Burt explained that enforcement followed State regulations.

Council Member DuBois wanted to know why the City's Ordinance should model San Jose's Ordinance.

Mr. Shikada reported the State would not enforce a local Minimum Wage Ordinance. San Jose's model was responsive. Enforcement would be based on complaints and follow-up investigations.

Council Member DuBois asked if San Jose would teach the City how to enforce the Ordinance with the idea of the City discontinuing its contract with San Jose.

Mr. Shikada indicated the City would enter into the new regulatory structure and get a feel for what would be involved in enforcement. If sufficient work and communication occurred, then the City could build its own enforcement expertise.

Council Member DuBois calculated that 14 percent annual increases would raise the local minimum wage to \$15.25 in 2018.

Chair Burt noted Beacon Economics issued a report predicting the City of San Jose would lose 800-900 jobs due to increasing the minimum wage. He asked if in fact no jobs were lost.

Mr. Shikada could not say. From an enforcement perspective, the workload would be significantly smaller than originally expected.

Chair Burt had not expected Staff to provide a detailed proposed Ordinance based on the Colleague's Memo. He inquired whether the Committee could revise provisions in the proposed Ordinance.

Ms. Silver nodded yes.

Chair Burt advised that Committee Members had identified the bulk of the issues needing discussion. Issues could be divided into categories of Phase 1 implementation date and amount and potential exemptions and Phase 2 communication and enforcement. The section regarding retaliation did not contain a dollar amount for the penalty. He inquired about the consequences of an employer retaliating against an employee.

Ms. Silver reported a civil penalty as well as a criminal violation could be imposed for violating the Ordinance.

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Chair Burt asked how a penalty would be determined.

Ms. Silver explained that the Council would set that through a separate penalty schedule.

Chair Burt wished to impose a high consequence for retaliation. A July 1, 2015 implementation date would be too soon in that communications would be rushed and businesses would not have time to plan. He was interested in the possibility of a January 1, 2016 implementation date; however, a local minimum wage would be only \$0.30 higher than the State minimum wage on January 1, 2016. A starting minimum wage of \$10.30 would not provide an economic benefit to employees. He requested Committee Members comment on an \$11 minimum wage beginning on January 1, 2016.

Council Member Wolbach understood Mountain View and Sunnyvale were considering a schedule of \$10.30 on July 1, 2015, \$12 on July 1, 2016, \$13.50 on July 1, 2017, and \$15 on July 1, 2018.

Ms. Silver agreed that Mountain View was considering those amounts on those dates.

Council Member Wolbach inquired whether the Committee wished to align Palo Alto's dates with those of the other cities.

Chair Burt understood the other cities were not aligned with respect to implementation dates.

Ms. Silver indicated Mountain View had given formal direction to study that particular schedule, but had not adopted it.

Council Member Berman requested the scheduled dates be repeated.

Council Member Wolbach reiterated the dates and amounts.

Ms. Silver noted Attachment C to the Staff Report contained implementation dates for other cities.

Council Member Wolbach agreed that \$10.30 effective January 1, 2016 would not be useful. If the City followed Mountain View's proposed schedule, the local minimum wage would be only \$0.30 above the State minimum wage from January 1 until July 1, 2016. He would consider a schedule beginning with \$12 on January 1, 2016.

Chair Burt noted the Committee would discuss in Phase 2 whether to provide direction for a specific implementation plan. The Committee should discuss

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whether to provide a specific Phase 2 in the current discussion or leave the details of Phase 2 open subject to additional study of impact and discourse.

Council Member Wolbach reiterated that a local minimum wage only slightly higher than the State minimum wage was pointless. He preferred a minimum wage of \$12 an hour by January 1, 2016.

Council Member Berman emphasized the importance of robust communications with the business community. That should dictate the implementation date. The business community should be informed and included in discussions. An implementation date of July 1, 2015 would be too soon. He suggested an implementation date of October 1, 2015 with a tiered approach and a July 1, 2016 date for a subsequent increase. He asked if the Committee would discuss outreach.

Chair Burt requested Committee Members discuss outreach in Phase 1.

Council Member Berman believed outreach could follow the approaches taken with the Residential Parking Permit (RPP) Program and the Business Registry. The City would need to ensure everyone was aware of the issue and given an opportunity to participate. Moving to \$12 by January 1, 2016 was aggressive; however, he was open to a discussion.

Council Member DuBois calculated an increase from \$9 to \$12 was a 33 percent increase, which seemed very aggressive. The City had to consider the business community. Matching the City's schedule with those of San Jose, Mountain View, and Sunnyvale would be beneficial. San Jose and Sunnyvale appeared to have a January 1 schedule with CPI increases. The City could implement a schedule by September 1, 2015, and then discuss Phase 2 implementation with a different schedule.

Chair Burt inquired whether Council Member DuBois envisioned implementation immediately or on January 1, 2016 if the Council did not approve it by September 1, 2015.

Council Member DuBois hoped it would be presented to the Council before the Break.

Chair Burt felt January 1, 2016 would be the best and most consistent implementation date so that businesses could plan for the increase. Allowing businesses a few months to incorporate a wage increase in fiscal planning was reasonable. He wanted the City's schedule to align roughly with other cities' schedules. He suggested a minimum wage of \$11 take effect on January 1, 2016.

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Council Member Wolbach would not describe a minimum wage of \$12 taking effect on January 1, 2016 as aggressive. It would accelerate Mountain View's plan by six months. The City should not implement a minimum wage increase in the Calendar Year of 2015 in order to have good outreach to the business community.

Chair Burt clarified that Mountain View had not adopted that schedule.

Molly Stump, City Attorney, nodded in agreement.

Chair Burt moved to a discussion of exemptions for tipped employees, teenagers, and workers under a collective bargaining. The Berkeley Ordinance contained an exemption for young adult trainees participating in job training programs offered by nonprofit agencies. He asked if State law provided exemptions for family members.

Ms. Silver believed that was State law. The proposed Ordinance contained that exemption.

Chair Burt suggested exemptions could offer different tiers for some subgroups. A complicated schedule would make implementation difficult. The Committee should balance exemptions with simplicity.

Council Member DuBois felt the Committee may not have considered all exemptions. He asked if a homecare business without an office would be exempt.

Ms. Silver advised that if the homecare business had a facility in Palo Alto and was dispatching workers, those workers as employees of that business would be subject to the Ordinance. If in-home care workers were hired by an individual privately and paid directly by the individual, then the City's Ordinance as proposed would exempt those employees.

Council Member DuBois inquired whether a business operated from a home office would be exempt.

Ms. Silver explained that a legal in-home business would be a permitted facility under the Zoning Code; therefore, she would characterize that as requiring a business license and likely would be covered.

Chair Burt requested Committee Members forego hypothetical scenarios and focus on the reality of the Palo Alto economy. He did not know of anyone who could hire a nanny or a cleaning person in his home in Palo Alto for minimum wage.

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Council Member DuBois was uncomfortable with the definition and preferred a simple definition with relatively few exemptions. He did not want to consider teenagers and categories. The minimum wage should be the minimum wage.

Council Member Wolbach tended to agree with Council Member DuBois with respect to exemptions. Unless someone offered a compelling argument, exemptions should be simple. More exemptions undermined the policy objectives of a minimum wage. He asked if the Ordinance could include a homecare contractor living with and caring for an individual.

Ms. Silver responded yes. That was a policy decision for the Committee. Staff would need to confer with San Jose to determine whether it would add complications to enforcement.

Council Member Wolbach encouraged the Committee to close loopholes. Perhaps Mountain View and Sunnyvale would follow the City's lead to close loopholes in their Ordinances. If enforcement was based on complaints, closing those loopholes should not significantly impact general enforcement.

Council Member Berman stated the loophole under discussion was an independent contractor.

Council Member DuBois was not sure it was a loophole, rather the definition of businesses under the Ordinance. San Jose should understand the differences in business licenses requirements.

Council Member Wolbach requested the City Attorney revise the definition of employer to focus on the employee rather than the employer. If the employee's work was significantly in Palo Alto, then he should be covered regardless of the employer's location.

Ms. Silver would work with that definition.

Chair Burt could agree to including more contentious exemptions in discussion of Phase 2. The impact of an \$11 minimum wage beginning on January 1, 2016 was not terribly onerous when compared to the State minimum wage increasing to \$10 an hour. An \$11 minimum wage for tipped employees would not have a large impact on restaurants. However, a \$15 minimum wage for tipped employees could have a significant impact. An Ordinance that caused people making higher wages to lose their jobs was unacceptable. He asked if the proposed Ordinance contained an exemption for employees covered by a collective bargaining agreement.

Ms. Stump responded yes.

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Chair Burt noted live-in workers would be exempt under the proposed Ordinance.

Ms. Silver indicated nannies, housekeepers, and live-in caregivers who were paid directly by a resident would be exempt.

Chair Burt suggested in Phase 2 the Committee distinguish between live-in homecare workers who received room and board as additional compensation and caregivers receiving an hourly wage. Perhaps the Committee would consider job training programs offered by nonprofit agencies as a hypothetical scenario.

Council Member Berman advised that Goodwill Industries offered such a program.

Chair Burt inquired about actions taken by other cities with respect to job training programs.

Ms. Silver reported the proposed Ordinance did not contain such an exemption, because it was modeled after Ordinances in other cities.

Chair Burt suggested the Committee consider that in Phase 2.

Council Member Wolbach inquired whether a group of employees who were covered by a collective bargaining agreement and who agreed to a compensation amount lower than the Palo Alto minimum wage would be allowed under the proposed Ordinance.

Ms. Silver answered yes, as that was a Federal requirement.

Council Member Wolbach liked the idea of keeping the Ordinance simple in Phase 1. In Phase 2, the Committee should at least set a policy goal for the path forward. By implementing the minimum wage in phases, the City would have time to study and consider issues.

Chair Burt asked if Staff considered creating an advisory group of stakeholders to assist with details.

Mr. Shikada answered no.

Chair Burt asked if Staff would be interested in doing that.

Mr. Shikada advised that the positions of various stakeholders were fairly well known. The issues could come down to ease of implementation more so than feedback. It could be more productive to put a proposal forward and allow stakeholders to react with respect to implementation.

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Chair Burt related his experience with a deliberate process of defining and working through issues to reach consensus among stakeholders. He requested comment regarding including real consequences in the retaliation provision. He was concerned that penalties would impact the employee considerably more than the employer. He wanted to provide a greater financial consequence to any employer that was found to have retaliated against an employee.

Ms. Stump explained that the language of the draft Ordinance discussed an adverse action, which was not only a termination but also a loss of a shift, demotion, or loss of hours. Under employment law, those types of actions could be adverse actions.

Chair Burt suggested an "up to" amount be included, and asked who would determine the penalty amount.

Ms. Silver reported the Council could establish penalties when it adopted a penalty schedule. The Council could provide different penalties for different types of violations or a tiered penalty structure. Penalties could be assessed through an administrative process or as a criminal penalty.

Chair Burt did not find either satisfactory. He preferred to avoid a criminal action, to institute a \$5,000 penalty for a termination with lower fines for lesser retaliation, and to require adjudication by a level higher than Code Enforcement Officer.

Council Member Berman suggested the Committee direct Staff to return with examples of how often retaliation had been reported in other communities.

Chair Burt stated the point of a heavy fine was to deter retaliation.

Council Member Wolbach was comfortable with the terms presented by the City Attorney's Office. A discussion of penalty amounts could be included in the discussion of the City's penalty schedule. In egregious cases of retaliation against an employee who raised concerns of wage theft, the Committee should not rule out the possibility of a misdemeanor prosecution.

Chair Burt asked if the draft Ordinance provided for a misdemeanor prosecution.

Ms. Stump reported it was contained in the general provisions of the Administrative Code. However, egregious cases were very rare.

Chair Burt could agree to including it in the Phase 2 discussion. Any language should provide sufficient clarity that prosecution was a deterrent.

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Council Member Wolbach wished to discuss Phase 2 communication and enforcement issues.

Chair Burt noted the Committee had discussed a clear schedule and a goal and structure for Phase 2 and requested the Committee discuss alternatives.

Council Member DuBois believed the Ordinance should include some measure of the performance of the economy. A recession could trigger a percentage increase.

Chair Burt explained that that could occur under adopting a schedule or one of the goals.

Council Member DuBois noted Ordinances for San Jose, Mountain View, and Sunnyvale were tied to the CPI.

Chair Burt agreed that that would be an aspect for consideration in Phase 2.

Council Member Wolbach wished to discuss Phases 2, 3, and 4. The Committee should set a policy goal of \$15 an hour by 2018. Evidence supported implementing a minimum wage of \$15 per hour. Increases should occur annually and automatically. Six or 12 months prior to an increase, the Council could discuss issues related to the upcoming increase and make adjustments.

Council Member Berman felt a schedule with a caveat that additional details needed clarification after Phase 1 would be helpful. Many of those details would concern exemptions and enforcements.

Chair Burt was inclined to have a goal. The schedule should be part of the Phase 2 deeper discussion of dates and amounts and triggers. He supported establishing a goal of \$15 per hour by 2018. The schedule was premature; it should be open for discussion.

Council Member DuBois wanted to capture the concept of staying in sync with surrounding cities in order to assist employers. He would agree to a goal of \$15 in 2018, but wanted to capture the idea of being in sync regionally.

Chair Burt indicated the Committee could adopt that as a concept. The Committee should not limit itself to following other's actions if it did not feel those actions were sound. He could support a statement that the City would attempt to align itself with other cities as much as possible.

Council Member Wolbach expressed concern that being too timid or too vague would discourage other cities. It was important to establish some

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type of schedule or goal in the current discussion and provide an opportunity for regular reconsideration.

Chair Burt wished to ensure the Council acted deliberately and received input from all parties. His experience in tackling complex issues was that one could be strong and leading and deliberate and thoughtful at the same time.

Council Member Berman noted that an increase to \$11 effective January 1, 2016 would result in an increase of \$2 by January 1, 2017 and another \$2 increase by January 1, 2018 to reach \$15 by 2018.

Chair Burt was not aware whether the implementation date in 2018 would be the beginning, middle, or end of 2018. Reaching a minimum wage of \$15 around 2018 would lead the nation.

Council Member Berman wanted to ensure Palo Alto could meet a goal of \$15 by 2018. Completing Phase 1 by October 1, 2015 would provide the Committee with flexibility for deciding when to begin Phase 2.

Chair Burt would be open to considering an implementation date of October 1 if Staff believed the item could be presented to the Council prior to its vacation. If not, he preferred an implementation date of January 1, 2016.

Council Member Berman recalled the Committee's desire for business input.

Chair Burt wanted to allow time for businesses to plan for an increase. The implementation date should be January 1, 2016. Six months should be adequate forewarning.

Council Member Berman stated October 1 was approximately five months away.

Chair Burt clarified that the Council was not adopting the Ordinance that day. He was inclined to create a stakeholder group to iron out details of Phase 2.

Council Member Wolbach inquired whether the Chair wanted separate Motions for Phases 1 and 2.

Chair Burt preferred a single motion, but it was not essential.

MOTION: Council Member Wolbach moved, seconded by Council Member XX to recommend the City Council:

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- A. Adopt an Ordinance adding Chapter 4.62 to Title 4 of the Palo Alto Municipal Code to require the payment of a city-wide minimum wage of \$11.50 per hour to take effect on January 1, 2016; and
- B. Provide input on an outreach plan; and
- C. Set a policy goal of a \$15.00 per hour minimum wage to be implemented by January 1, 2018; contingent upon cooperation with neighboring cities and further Council review on an annual basis; and
- D. Direct Staff to provide a draft schedule for consideration for a phased incremental increase in wage between \$11.50 and \$15 per hour.

MOTION FAILED DUE TO THE LACK OF SECOND

MOTION: Council Member DuBois moved, seconded by Chair Burt to recommend the City Council approve Staff recommendation to increase the minimum wage to \$11.00 per hour effective January 1, 2016 with an annual increase based on the Consumer Price Index (CPI) and direct Staff to return to the Policy & Services Committee with a schedule to reach the goal of \$15.00 per hour by 2018.

Council Member DuBois advised that the idea of community outreach was worth considering even though it was not stated in the Motion.

INCORPORATED INTO THE MOTION WITH THE CONSENT OF THE MAKER AND SECONDER to add to the Motion, "no later than October 1, 2015" after "Policy and Services Committee."

Council Member DuBois suggested the item return to the Committee, and asked if it should return to the Council.

Chair Burt answered no.

Council Member DuBois asked if the Motion set a hard date of October 1.

Chair Burt answered yes. The sooner the Committee began the conversation, the more time it would have to discuss and consider a process.

Council Member DuBois inquired whether Staff felt October was a reasonable date.

Ms. Silver responded yes.

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Council Member Wolbach recalled that \$11 per hour was only \$0.70 more than the State minimum wage. If the objective was to reflect the economic realities of the region, then he requested an explanation for the preference of \$11 rather than \$11.50.

Chair Burt stated the \$10.30 State minimum wage would be a significant increase from the present minimum wage.

Ms. Silver clarified that the State minimum wage would increase to \$10 an hour on January 1, 2016.

Council Member Wolbach noted the proposed minimum wage amount would be \$1 higher than the State minimum wage.

Chair Burt explained that Palo Alto businesses would have an increase of \$2 per hour. Businesses were planning for a \$1 increase, not a \$2 increase.

Council Member DuBois added that an increase to \$11.50 would be a 27 percent increase at one time.

Chair Burt felt a 27 percent increase was not an insignificant increase for small businesses.

Council Member Berman inquired whether the CPI increase was a placeholder until the Committee discussed Phase 2.

Council Member DuBois responded yes.

Ms. Stump asked if the Council should affirm the goal.

Chair Burt replied yes.

Council Member Berman felt Staff would have a difficult time aligning Palo Alto's schedule with surrounding cities if Mountain View adopted its proposed schedule.

Chair Burt suggested adding language clarify that "align" did not mean "mimic."

Council Member Wolbach suggested changing the word "align" to "coordinate."

Chair Burt believed the City wanted to coordinate with and to the extent possible align with surrounding cities' schedules.

Council Member Wolbach believed "seek to" would establish the ideal.

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Chair Burt wanted to coordinate with other cities and to create an aligned wage. Alignment did not mean duplication.

Council Member Wolbach asked if the Committee should identify specific elements.

Chair Burt answered no. Elements were the topics the Committee would address in the process.

MOTION RESTATED: Council Member DuBois moved, seconded by Chair Burt to recommend the City Council:

- A. Adopt the Staff recommendation of an Ordinance raising the minimum wage to \$11.00 per hour to be implemented by January 01, 2016 with an annual increase by Consumer Price Index (CPI); and
- B. Adopt a goal of raising the minimum wage to \$15.00 by 2018 in coordination with surrounding cities; and
- C. Return to the Policy & Services Committee no later than October 01, 2015 with a process to consider the elements of obtaining the \$15.00 goal.

MOTION PASSED: 4-0

Council Member Berman inquired whether the item would be placed on the Council's Consent Calendar.

Chair Burt noted in the past important or contentious issues were placed on the Council's agenda as an action item.

Council Member Wolbach felt the Committee could unanimously approve a number of other topics appropriate for Council discussion. The Minimum Wage Ordinance would not be controversial for the Council. If it was, the Council could remove it from the Consent Calendar.

Council Member DuBois suggested the City Manager and Mayor decide whether to place the item on the Consent Calendar.

Chair Burt felt the item should be placed as an action item, because it could be contentious.

Council Member DuBois noted the four authors of the Colleague's Memo comprised the Committee; therefore, the item should be placed on the agenda as an action item.

TRANSCRIPT

Ms. Stump would discuss it with the City Manager and Mayor. The Minimum Wage Ordinance did not require a public hearing, but it was a significant item that affected many third-party rights.

Chair Burt reiterated that it should be an action item, but he deferred to the City Manager and Mayor.

Future Meetings and Agendas

Khashayar Alaei, Senior Management Analyst, announced the next meeting was scheduled for May 12, 2015 and would cover the City Auditor's Fiscal Year 2016 Work Plan, the City's Legislative Program, and the Smoking Ordinance. The Policy and Services Committee (Committee) could schedule a second meeting in May to focus on Council policies and protocols. May 19 or 21, 2015 at either 6:00 P.M. or 7:00 P.M. were available.

Council Member DuBois noted a Finance Committee meeting was scheduled for May 21.

Mr. Alaei clarified that Finance Committee meetings were scheduled for both May 19 and 21.

Council Member Berman could be present either night.

Mr. Alaei inquired about the Committee's preference for meeting on May 19 or 21.

Council Member DuBois preferred May 21 over May 19.

Chair Burt confirmed a meeting date of May 21.

Mr. Alaei advised that the agenda for June 9, 2015 included a City's Auditor Report of Cable Franchise Fees, Project Safety Net, and a Colleague's Memo regarding engagement with the neighborhoods.

Chair Burt indicated the May 21 meeting would begin at 7:00 P.M. He inquired whether the Committee should schedule a second meeting in June.

Mr. Alaei recommended one meeting on June 9, because the only topic would be the second portion of Health and Safety Funds and guiding principles.

Adjournment: Meeting was adjourned at 9:57 P.M.