



City of Palo Alto

City Council Staff Report

(ID # 9636)

Report Type: Consent Calendar

Meeting Date: 10/15/2018

Summary Title: Amend the Minimum Wage Ordinance to Correct and Clarify the Consumer Price Index Increase

Title: Adoption of an Ordinance Amending Chapter 4.62 (Citywide Minimum Wage) of the Palo Alto Municipal Code to Correct and Clarify that the First Consumer Price Index Adjustment to the Minimum Wage Will Occur in 2020

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that City Council adopt the attached ordinance (Attachment A) amending the Citywide Minimum Wage Ordinance (Palo Alto Municipal Code Chapter 4.62) to correct and clarify that the annual adjustment to the minimum wage rate relative to the consumer price index (CPI) would first occur on January 1, 2020.

Background

In 2016, the City Council passed the Citywide Minimum Wage Ordinance (City Manager's Report #7283), which specified incremental annual increases. This aligned Palo Alto with other cities in Santa Clara County. In Palo Alto, the current minimum wage rate for 2018 is \$13.50 per hour as of January 1, 2018 and is due to increase to \$15 per hour on January 1, 2019. The ordinance also provides for adjustments based on CPI increases. However, the date on which the first CPI adjustment would occur, January 1, 2019, as set forth in the ordinance is not consistent with the Council action recommended in 2016.

Recommendation from 2016 City Manager's Report 7283:

*The Policy and Services Committee recommends that the City Council adopt the attached Ordinance (Attachment B) amending the City's Minimum Wage ordinance to align with the Cities Association recommendation to increase the minimum wage to \$15 per hour in three steps: \$12 on 1/1/2017; \$13.50 on 1/1/2018, \$15 on 1/1/2019, and a CPI increase **after 2019** indexed to the Bay Area CPI with a 5 percent cap and no exemptions.*

(Emphasis added.)

Discussion

Based on the Council agenda, staff report and discussion in 2016, it is apparent that the intent of the Council action in adopting the minimum wage ordinance was to bring the minimum wage to \$15/hour by 2019 and then increase by the consumer price index for the Bay Area each year beginning January 1, 2020. The existing code however states that the CPI adjustment would occur on January 1, 2019, thus adding a CPI increase to the \$15 increase scheduled on January 1, 2019. The proposed ordinance would fix this inadvertent error and result in an ordinance that reflects the original intent.

2016 City Council approved Minimum Wage Ordinance:

On January 1, 2019, the minimum wage shall be an hourly rate of fifteen dollars (\$15.00). **To prevent inflation from eroding its value, beginning on January 1, 2019, and each January 1st thereafter,** the minimum wage shall increase by an amount corresponding to the increase, if any, in the cost of living, not to exceed 5%.

Proposed amended language in the Minimum Wage Ordinance:

On January 1, 2019, the minimum wage shall be an hourly rate of fifteen dollars (\$15.00). **To prevent inflation from eroding its value, beginning on January 1, 2020, and each January 1st thereafter,** the minimum wage shall increase by an amount corresponding to the increase, if any, in the cost of living, not to exceed 5%.

This change is proposed to align with the original intent of Council in passing the Minimum Wage Ordinance in 2016. If approved the CPI adjustment would take effect on January 1, 2020 as intended.

Timeline

If approved by the City Council this change to the Minimum Wage Ordinance would be scheduled for a second reading on October 29, which would enable the change to be effective in time for the next minimum wage adjustment on January 1, 2019. Then only the already scheduled increase to \$15 would go into place on January 1, 2019 and the CPI adjustment would not be applied until January 1, 2020.

Resource Impact

This clean-up amendment to the Minimum Wage ordinance does not have an impact on resources and staff financial modeling has been consistent with the original intention of the ordinance. This action is a language clarification. However, if this clean-up is not approved, additional funding would be necessary as wages would be increased beyond the \$15/hour intention on January 1, 2019.

Policy Implications

This change is consistent with City Council policy as originally intended with the passage of the Minimum Wage Ordinance.

Environmental Review

The proposed ordinance to amend the minimum wage is not a project for purposes of the California Environmental Quality Act.

Attachments:

- Attachment A: Minimum Wage Ordinance Amendment Correcting Date of CPI Adjustment Commencement

Attachment A

Not Yet Approved

Ordinance No. _____

Ordinance of the Council of the City of Palo Alto Amending Section 4.62.030 (Minimum Wage) of Chapter 4.62 (Citywide Minimum Wage) of Title 4 (Business License & Regulations) of the Palo Alto Municipal Code to Correct the Commencement Date of Annual Adjustments Relative to the Consumer Price Index

The Council of the City of Palo Alto ORDAINS as follows:

SECTION 1. Section 4.62.030 (Minimum Wage) of Chapter 4.62 (Citywide Minimum Wage) of the Palo Alto Municipal Code is hereby amended as follows:

4.62.030 Minimum wage.

(a) Employers shall pay employees no less than the minimum wage set forth in this section for each hour worked within the geographic boundaries of the City of Palo Alto.

(b) The minimum wage shall be an hourly rate of eleven dollars (\$11.00) through December 31, 2016. On January 1, 2017, the minimum wage shall be an hourly rate of twelve dollars (\$12.00). On January 1, 2018, the minimum wage shall be an hourly rate of thirteen dollars and fifty cents (\$13.50). On January 1, 2019, the minimum wage shall be an hourly rate of fifteen dollars (\$15.00). To prevent inflation from eroding its value, beginning on January 1, ~~2019~~2020, and each January 1st thereafter, the minimum wage shall increase by an amount corresponding to the increase, if any, in the cost of living, not to exceed 5%. The prior year's increase in the cost of living shall be measured by the percentage increase, if any, as of August of the immediately preceding year of the Bay Area Consumer Price Index (Urban Wage Earners and Clerical Workers, San Francisco-Oakland-San Jose, CA for All Items) or its successor index as published by the U.S. Department of Labor or its successor agency, with the amount of the minimum wage increase rounded to the nearest multiple of five cents (\$.05). If there is no net increase in the cost of living, the minimum wage shall remain unchanged for that year. The adjusted minimum wage shall be announced by October 1st of each year, or as soon as practicable thereafter if the Consumer Price Index for August has not yet been published, and shall become effective as the new minimum wage on January 1st of each year.

(c) A violation for unlawfully failing to pay the minimum wage shall be deemed to continue from the date immediately following the date that the wages were due and payable as provided in Part 1 (commencing with Sec. 200) of Division 2 of the California Labor Code, to the date immediately preceding the date the wages are paid in full.

SECTION 2. If any section, subsection, clause or phrase of this Ordinance is for any reason held to be invalid, such decision shall not affect the validity of the remaining portion or sections of the Ordinance. The Council hereby declares that it should have adopted the Ordinance and each section, subsection, sentence, clause or phrase thereof irrespective of the

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fact that any one or more sections, subsections, sentences, clauses or phrases be declared invalid.

SECTION 3. The Council finds that this Ordinance is exempt from the provisions of the California Environmental Quality Act ("CEQA"), pursuant to Section 15061 of the CEQA Guidelines, because it can be seen with certainty that there is no possibility that the Ordinance will have a significant effect on the environment.

SECTION 4. This Ordinance shall be effective on the thirty-first day after the date of its adoption.

INTRODUCED:

PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Assistant City Attorney

City Manager

Director of Administrative Services