



# CITY OF SAN MATEO

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## Agenda Report

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**TO:** City Council  
**FROM:** Drew Corbett, City Manager  
**PREPARED BY:** City Manager's Office  
**MEETING DATE:** June 20, 2022  
**SUBJECT:**  
Minimum Wage – Informational Update

### RECOMMENDATION:

Receive an update on the implementation of the City of San Mateo local minimum wage ordinance and provide direction on potential adjustments.

### BACKGROUND:

In August 2016, the City Council adopted an ordinance to incrementally increase its local minimum wage from \$10.00 per hour to \$15.00 per hour by 2019. Every year after 2019, the local minimum wage has increased based on the regional Consumer Price Index (CPI). As of January 1, 2022, all employers within San Mateo must pay each employee who performs at least two hours of work per week a minimum wage of \$16.20 per hour.

The City of San Mateo was the first city in San Mateo County to adopt a local minimum wage, following the trend of cities in Santa Clara County. Subsequently, 9 other cities in the County have adopted their own minimum wage. Redwood City and Belmont set their wage to be equivalent to San Mateo's. The remaining cities in the County have a minimum wage that is slightly lower. The majority of cities in Santa Clara County have a higher minimum wage than San Mateo's since they reached \$15 an hour earlier and have adjusted upward, based on the rising CPI. The State of California's minimum wage is currently \$14 to \$15 per hour, depending on the size of the employer.

Staff prepared a Minimum Wage Comparison Table (Attachment 1) that compares the 2022 minimum wages across different jurisdictions. The table also highlights some differences among other aspects of the minimum wage policies that the City may want to consider and will be outlined in this report.

Initially, there were many concerns from the business community when the minimum wage ordinance was adopted, especially because San Mateo was the first city in the County to adopt a higher minimum wage. Since many other cities followed suit, staff has not received any recent complaints from businesses regarding the annual minimum wage increases.

### Cost of Administering the Local Minimum Wage Ordinance

To administer the local minimum wage ordinance, the City issues annual mailings to all businesses that hold a business license within the City in the fall of every year to inform them of the new minimum wage for the upcoming year. The mailing and printing costs are approximately \$10,000 per year. In addition to this, staff updates the City's website with the new minimum wage rates and does more general outreach via the City's newsletters and social media to inform both businesses and local employees. The minimum wage notices include a phone number for staff from the City Manager's Office so that people can reach out with general questions about the minimum wage. The City typically fields a large number of phone calls shortly after the mailing goes out and only a handful of calls over the remainder of the year. The City contracts with the City of San Jose's Office of Equality Assurance (OEA) to enforce the local minimum wage on

behalf of the City. The OEA provides this service to the majority of cities in San Mateo and Santa Clara Counties with a local minimum wage. Much of their work includes answering questions regarding the ordinance, conducting complaint intake, investigating employers, calculating back wages owed, calculating the new minimum wage, and preparing and sending written notices to violators.

From 2017 to 2020, the City's contract with OEA was a pay per service fee with a cap of \$30,000 per year, meaning the City was charged based on the hours spent on enforcement each year. However, in 2020, OEA changed their fees from pay per service to a flat fee of \$15,000 per year. The change was made to accurately compensate the volume of calls and cases they receive for each city with which they contract. In the past, OEA had difficulty tracking and billing for all of the phone inquiries that they took in for the various cities and therefore typically did not bill for the majority of their work and was operating at a significant loss to the City of San Jose. The change to a flat fee covers all costs for enforcement. The City's contract with San Jose is set to end June 30, 2023, but the City has the option to extend the term to June 30, 2025. Staff intends to extend the contract since staff does not have the capacity to administer and enforce the minimum wage in-house.

The local minimum wage ordinance currently costs the City approximately \$25,000 per year to administer, not including staff time, for the annual mailings and the contract with OEA. During the first two years of implementation, the City provided \$20,000 in funding for outreach to the low-income and non-English speaking community to make sure they were aware of the newly adopted Minimum Wage. Since then, as local minimum wages have become more common in the region, the City has not felt it is necessary to allocate funding for additional outreach. The total costs to the City of San Mateo associated with administering the local minimum wage from 2017 to 2022 are approximately \$157,420.

#### City Staffing Costs

When the local minimum wage was initially adopted, the City had to raise wages for several City positions, including part-time positions in the Parks and Recreation Department. Today, only one City position is currently hiring at the minimum wage, and this seasonal position has remained vacant since before the pandemic.

Although there is only one minimum wage position at the City, other City jobs (such as Dishwasher or Library Aide I) have pay rates only slightly higher than the minimum wage. There is often difficulty in filling these positions because other local employers pay about \$18 per hour for these jobs.

#### Enforcement Actions to Date

Since the adoption of the policy, OEA conducted investigations into three complaints received from 2017 to 2019. Two of the cases closed because the business closed, sold, or transferred to new owners. The third case resulted in the restitution of \$1,485.88 in wages to three employees. There were no investigations from 2020 to 2021. However, in 2022 OEA received a complaint regarding a business not paying the required wage and an investigation is currently underway.

#### Policy Considerations

Staff researched various local minimum wage ordinances throughout San Mateo and Santa Clara County to compare policies related to the application of the CPI adjustments (as shown in Attachment 1). All cities identified use the annual CPI to adjust minimum wage for future years, but 3 of the 10 cities within San Mateo County and 5 out of 7 within Santa Clara County cap the CPI increase between 3% to 5% per year. Additionally, the State of California has a cap on the CPI at 3.5%. OEA predicts that the CPI for next year will be somewhere between 7% and 8%, increasing our minimum wage by up to an additional \$1.30 per hour.

The City Council may want to consider adopting a cap on the CPI to prevent there from being such a sizeable year over year increase, which can be challenging for small businesses to weather. Not having a cap on CPI will also have an impact on the City's staffing costs, especially for positions within the Library and Parks and Recreation departments. As a counter point for consideration, not having a limit to the CPI increase allows minimum wage workers to have wages that keep up with the costs of goods and services in the region. The cost of living is high in San Mateo and if minimum wage employees cannot afford to live here, the income disparity gap may widen.

If a cap were to be adopted, the City may also want to consider allowing for a catch-up provision to allow for the wages to eventually realign with inflation. However, it is important to note that none of the cities with a CPI cap currently have a catch-up provision in place.

Another policy option is whether to allow the minimum wage to be adjusted downward in case of a negative CPI. The City's local minimum wage ordinance currently does not allow for any downward adjustment, nor does any other jurisdiction that staff researched. As a result, staff does not recommend altering the City's ordinance on this issue.

The final policy option for consideration is whether to continue to set the minimum wage to the nearest penny or to round it up. Most cities in the San Mateo and Santa Clara County, as well as the State of California, round up their minimum wages. Three of the 10 cities within the San Mateo County and all the cities in Santa Clara County round up their minimum wage to the nearest nickel. The State of California rounds up their minimum wage to the nearest dime. Therefore, staff recommends that the City of San Mateo also rounds up its minimum wage to the nearest nickel.

Staff seeks City Council guidance on which, if any, policy adjustments to consider. If the Council wants to move forward with any changes, staff will bring forward an ordinance to amend the local minimum wage policy at an upcoming meeting.

**BUDGET IMPACT:**

The cost to administer the local minimum wage ordinance is approximately \$25,000 per year. This cost is included in the City Manager's annual budget allocation. The annual minimum wage increases, depending on the annual CPI, will likely result in higher staffing costs for the City.

**ENVIRONMENTAL DETERMINATION:**

This minimum wage update is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

**NOTICE PROVIDED**

All meeting noticing requirements were met.

**ATTACHMENTS**

Att 1 - Minimum Wage Comparison Table

**STAFF CONTACT**

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