



## STAFF REPORT

**Meeting Date:** September 1, 2015  
**To:** Honorable Mayor & City Council  
**From:** Cheryl Friedling, Deputy City Manager for Public Affairs  
**Subject:** Request by Councilmember Brien for Council Discussion of Minimum Wage Requirement in the City  
**Attachments:** 1. Beverly Hills Chamber of Commerce Survey Results

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### INTRODUCTION

The City's Legislative Committee (Vice Mayor Mirisch and Councilmember Brien) met on October 10, 2014 to review proposals regarding the minimum wage, which has been a highly topical item in several states for over a year. The committee did not reach consensus and Councilmember Brien has asked that the matter be brought to the City Council for consideration.

### DISCUSSION

According to recent US Census Bureau estimations, California has the highest poverty rate in the nation, as well as one of the highest housing costs in the country. Due to these conditions, in 2013 the legislature passed and the Governor signed AB 10, which increased the California minimum wage to \$9 per hour after January 1, 2014 and to not less than \$10 per hour, on and after January 1, 2016. This was the first minimum wage increase in California since 2008.

Since that time, the cities of Los Angeles, Seattle, San Francisco, Oakland and Berkeley have approved phased-in increases to eventually take their minimum wage to \$15 an hour. Below is a summary of efforts currently taking place at both the state and local levels.

### Ballot Measure:

A union-backed proposal to raise California's minimum wage to \$15 an hour has been proposed as a ballot initiative next year as local efforts continue nationwide to boost the minimum wage to \$10 to better reflect the cost of living. Currently the proponents of this measure are collecting signatures to qualify it for the ballot.

### Proposed Legislation:

Currently, Senator Mark Leno (D-San Francisco) is carrying SB 3 which would increase the minimum wage on and after January 1, 2016, to not less than \$11 per hour, and on and after July 1, 2017, to not less than \$13 per hour.

Beginning January 1, 2019, the bill would require the annual automatic adjustment of the minimum wage using the California Consumer Price Index (CPI).

Many of the Mayors from the 'Big Ten' cities (including Los Angeles, San Francisco, Long Beach, Santa Ana, San Jose and Oakland) have joined labor groups and others in supporting this legislation. Several business, industry and commerce groups oppose the measure.

The bill will be taken up Thursday, August 27 in the Assembly Appropriations Suspense File. Staff will provide an update on the bill's status.

Should this bill pass out of the Assembly Appropriations Committee and onto the Assembly Floor, it will likely face tough opposition from moderate, business-friendly Democrats. The Assembly will have until midnight of September 11<sup>th</sup> to pass the bill off the Floor.

If the bill passes off the Assembly Floor and is presented to the Governor on or after Monday, August 31<sup>st</sup>, the Governor will have until October 11<sup>th</sup> to sign or veto the bill. At this point, the administration has not given an indication as to whether or not they would sign the legislation, should it reach the Governor's desk.

### **Local and Other Minimum Wage Ordinances and Proposals**

#### **City of Los Angeles:**

In 2014, the Los Angeles City Council voted in favor of an ordinance that established a minimum wage of \$15.37 per hour for employees of hotels with more than 125 rooms. The measure went into effect in July of 2015 for hotels with more than 300 rooms, and will go into effect in July of 2016 for hotels with more than 125 but fewer than 300 rooms.

On May 19, 2015, the Los Angeles City Council voted to increase the City's minimum wage from \$9 per hour to \$15 per hour by 2020. The minimum wage will be increased incrementally over five years, beginning with \$10.50 per hour in 2016. The minimum wage will increase to \$12 per hour in 2017, \$13.25 in 2018, \$14.25 in 2019, and \$15 in 2020. Each wage increase will become effective in July, and employers with 25 or fewer employees will have a one year delay before having to increase wages. On June 10, 2015, the ordinance was given final approval.

#### **Los Angeles County:**

On July 21, 2015, the Los Angeles County Board of Supervisors approved three ordinances that will incrementally raise the minimum wage to at least \$15 per hour by 2020. These ordinances will affect those who work for the county, those who work in the county's unincorporated areas, and those whose employers contract with the county. County contract employees will earn \$15.79 per hour by 2019. Under this proposal, the minimum wage will be raised to \$10.50 per hour on July 1, 2016, \$12 per hour on July 1, 2017, \$13.25 per hour on July 1, 2018, \$14.25 per hour on July 1, 2019, and \$15 per hour on July 1, 2020. Employers that have 25 or fewer employees will have an additional year to reach \$15 per hour. The three ordinances will return to the supervisors this fall for final approval.

#### **City and County of San Francisco:**

On November 14, 2014, San Francisco voters passed Proposition J, raising the minimum wage to \$15.00 per hour by 2018. The San Francisco minimum wage increased to \$12.25 per hour on May 1, 2015, and will increase to \$13.00 per hour on July 1, 2016, to \$14.00 per hour on July 1, 2017, and to \$15.00 per hour on July 1, 2018. On July 1st of each following year, the minimum wage will increase based on the CPI.

**City of Oakland:**

On November 4, 2014, voters approved Oakland Measure FF. On March 2, 2015, the minimum wage in Oakland increased to \$12.25 per hour. All employees, including part-time, temporary, and seasonal employees, must be paid at least the minimum wage if they work at least 2 hours per workweek. The ordinance also adjusts the minimum wage based on the CPI. The first CPI adjustment will take effect on January 1, 2016, and every year thereafter.

**University of California:**

On July 22, 2015, UC President Janet Napolitano announced the Fair Wage/Fair Work Plan, which will raise the minimum wage for both direct and service contract UC employees to \$15 per hour over the next three years.

**Beverly Hills Chamber of Commerce Minimum Wage Survey**

The Chamber of Commerce presented its findings to the City Council Legislative Liaison Committee on December 12, 2014. During the Liaison Committee meeting, a Chamber representative discussed these findings, however at that time the Chamber declined to take a position on the issue. The survey results are attached to this report and Chamber representatives will be present at the meeting to articulate the Chamber's position and respond to any questions.

**RECOMMENDATION**

That the City Council provides direction regarding this issue and whether staff should conduct studies and provide options for consideration.

**FISCAL IMPACT**

Comprehensive fiscal implications to businesses in the City are unknown at this time; the Chamber will present survey findings that begin to add insight on this issue.

Within the City organization, 189 employees are currently paid less than \$15/hour, with pay rates from \$9.00 - \$14.91/hour. An increase to \$15/hour would add approximately \$308,000 to the City's budget in year 2020, according to the City's Finance Department.

Cheryl Friedling  
Approved By



# **Attachment 1**



## **Beverly Hills Chamber 2014 Minimum Wage Survey**

To: Cheryl Friedling, Deputy City Manager  
From: Andy Sywak, Director of Economic Development & Govt. Affairs  
Subject: Chamber's 2014 Minimum Wage Survey & Recommendations

### **Background:**

On Sept. 1, 2014, Los Angeles Mayor Eric Garcetti announced a plan to gradually increase the minimum wage (currently at \$9/hr.) over the span of three years for all industry sectors in the City of Los Angeles. In the fall, Mayor Garcetti reached out to cities in the region to find out if they also supported this increase in order to achieve wage consistency throughout LA County. One month later, the Chamber surveyed its members about the impacts this potential minimum wage increase would have upon Beverly Hills businesses.

Since this time, both the City of Los Angeles and LA County have approved an increase in the minimum wage and Santa Monica and West Hollywood are also considering following suit.

This report today summarizes the findings of our survey and offers recommendations from the Chamber Board should the City Council wish to explore raising the minimum wage.

### **Findings:**

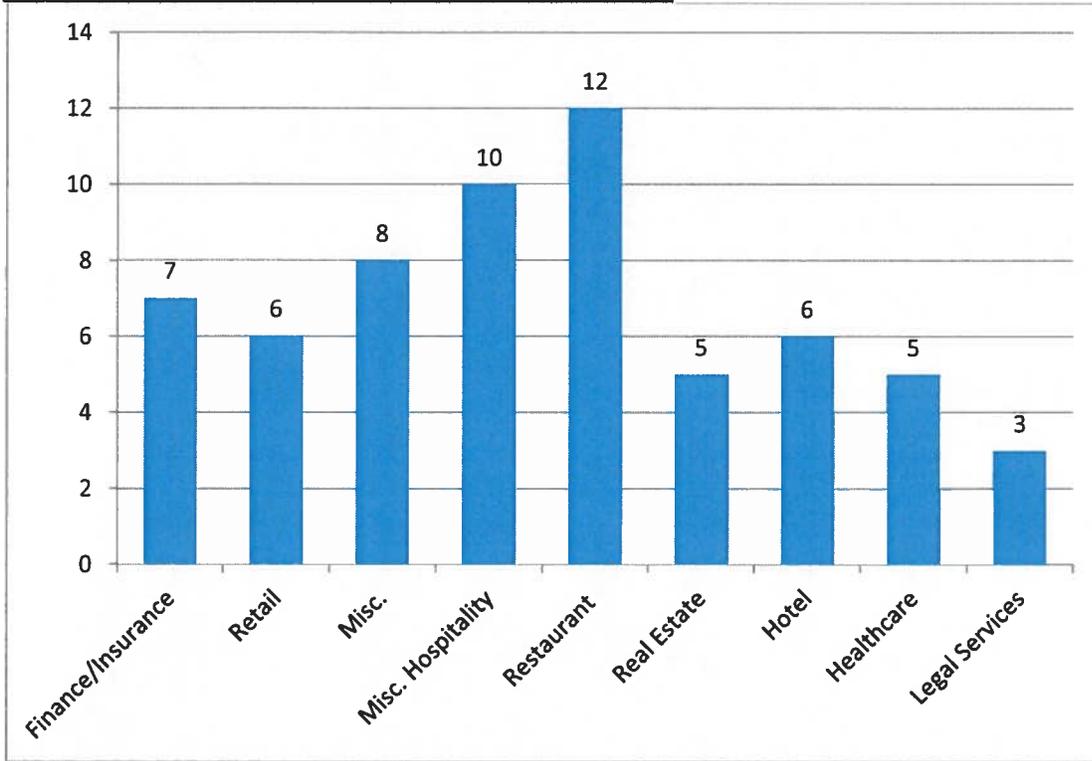
The survey was distributed to Chamber members through an email and received a total of 70 responses. At least 40% of respondents identified themselves as from the hospitality or restaurant sectors (see Chart 1 below), including hotels. (Note: not every respondent answered the question identifying their industry).

Some of the salient points of the survey data:

- At an increase to \$10.25/hr. (from current rate of \$9/hr.), 43% of respondents said there would be some kind of negative impact. This rate climbs to 52% at \$11.75/hr. and almost 60% at \$13.25/hr.
- Although not supporting the increase, about 70% of respondents said they would not consider relocating if min. wage hit \$13.25.

- A total of 65% of respondents said they did not support Mayor Garcetti's proposed minimum wage ordinance. (WAS the one that passed the same as the proposed one?)
- However, this number shifts radically when you include the possibility of a tipped employee exemption. Were there an exemption for tipped employees, suddenly 57% of respondents said they would support an increase if there was some sort of exemption for tipped employees.

**Types of businesses that responded to the survey:**



**Chart 1: Respondents to the Minimum Wage survey by Business Sector**

Note: Some businesses chose not to identify their sector

**Conclusion & Recommendations:**

The Chamber's Executive Committee, at its August meeting, offered the following recommendations should the City of Beverly Hills consider raising the minimum wage:

- In general, having minimum wage laws enacted on a city-by-city basis is not the ideal way to pass such ordinances. This could result in a confusing patchwork of laws across the 88 cities and unincorporated areas of LA County that would make hiring difficult and cumbersome for employers.
- Overall, the greatest area of concern is restaurants. Restaurant owners and managers have shared their concerns with us that they may have to pare down the hours of their staff should a minimum wage increase be passed. It is also possible that a surcharge will be added to checks to account for an increase.

- An ideal minimum wage ordinance would be passed at the statewide level and include an exemption for tipped employees (this sort of exemption CANNOT be included in local ordinances).
- Should the City consider raising the minimum wage, the Chamber would support the City hiring an economist or a consultant, similar to what Santa Monica has done, to conduct outreach meetings to restaurants in Beverly Hills. Feedback from these meetings could aid in the implementation of any ordinance.