



Agenda Report

February 11, 2019

TO: Honorable Mayor and City Council
FROM: City Manager's Office
SUBJECT: **POSSIBLE AMENDMENTS TO CITYWIDE MINIMUM WAGE
ORDINANCE CHAPTER 5.02 OF THE PASADENA MUNICIPAL CODE**

RECOMMENDATION:

It is recommended that the City Council 1) receive two independent reports which analyze the impact of the City-wide minimum wage; and, 2) provide direction to staff regarding a possible amendment to Chapter 5.02 of the Pasadena Municipal Code, to establish future increases to the City-wide Minimum Wage as follows:

- July 1, 2019, the hourly wage shall be \$14.25 (\$13.25 for small employers).
- July 1, 2020, the hourly wage shall be \$15.00 (\$14.25 for small employers).
- July 1, 2021, the hourly wage shall be \$15.00 for small employers
- Beginning July 1, 2022, and each July 1 thereafter the hourly wage shall be adjusted by an amount equal to the change in consumer price index as that term is defined in Title 1, Chapter 1.08, Section 1.08.060, consumer price index adjustments (CPI).

BACKGROUND:

On March 14, 2016, the City Council adopted Ordinance No. 7278, which was codified as Chapter 5.02 of the Pasadena Municipal Code, setting forth the establishment of a City-wide minimum wage. Pasadena was among 15 cities/counties in California to adopt higher than state-established minimum wages.

Pasadena's Ordinance largely resembles those adopted by both the City and County of Los Angeles. Specifically, the Ordinance requires with limited exemptions, employers with 26 or more employees to pay wages as follows:

- On July 1, 2016, the hourly wage shall be no less than \$10.50.
- On July 1, 2017, the hourly wage shall be no less than \$12.00.
- On July 1, 2018, the hourly wage shall be no less than \$13.25.

And, employers with 25 or fewer employees to pay as follows:

- On July 1, 2017, the hourly wage shall be no less than \$10.50.
- On July 1, 2018, the hourly wage shall be no less than \$12.00.

Importantly, however, where the ordinances adopted by Los Angeles City and County provide for further annual increases to reach \$15 dollars per hour, with annual adjustments based on changes in the Consumers Price Index, Pasadena's ordinance set no further increases. Rather Section 5.02.065 requires that:

- A. On or before February 18, 2019, the City Manager shall present a report to the City Council summarizing the impact of the City-wide minimum wage on reducing poverty, unemployment, job creation, and the overall local business climate.
- B. As soon thereafter as practical, the City Manager shall request direction from the City Council regarding an amendment to this Chapter to increase the city-wide minimum wage according to the following schedule:
 - July 1, 2019, the hourly wage shall be \$14.25 (\$13.25 for small employers)
 - July 1, 2020, the hourly wage shall be \$15.00 (\$14.25 for small employers).
 - July 1, 2021, the hourly wage shall be \$15.00 for small employers.
 - Beginning July 1, 2022, and each July 1 thereafter the hourly wage shall be adjusted by an amount equal to the change in consumer price index as that term is defined in Title 1, Chapter 1.08, Section 1.08.060, consumer price index adjustments (CPI).

Since the adoption of the Chapter 5.02, Governor Brown signed SB 3 (Leno), making California's minimum wage the highest State minimum wage rate in the country. It should be noted that unlike the ordinances adopted in Los Angeles City and County, the Governor can pause an increase if the seasonally adjusted statewide job growth for either the prior three or six months is negative and if retail receipts for the prior 12 months is negative. Upon reaching \$15 per hour for all employees, the rate will be adjusted annually for inflation based on the national consumer price index.

Pasadena Minimum Wage Impact Reports

To assist with fulfilling the requirements of the municipal code, staff engaged the services of two well-qualified economists. The consultants were selected through a competitive Request for Proposal (RFP) process which sought proposals from independent, objective/non-bias, economists or economic firms/agencies to assess the impacts of the City's Minimum Wage Ordinance in accordance with the Council's intent. The scope of work was based on Council direction and staff received additional input from local minimum wage advocacy groups and the Pasadena Chamber of Commerce prior to issuance of the RFP.

After evaluating proposals, staff selected Dr. Michael Reich and Dr. Edward Leamer to conduct two, independent studies. These two university professors are working as individual consultants with no formal connection to their respective universities.

As directed by the City, the consultants were asked to consider to the extent possible, the following factors in their analysis:

- impact on workers in Pasadena
- change in hourly wages earned and net change in wage income
- change in hours worked
- changes in public assistance
- changes in payroll costs and total hours paid
- business model changes to accommodate higher labor costs
- changes in hiring practices
- impact on prices
- estimate of business closures or relocations due to this change

It should be noted that the analysis is in part, reliant of employment figures generated by the State of California's Employment Development Department which releases data several months after the completion of a calendar quarter. This information was addressed differently by both consultants allowing different analytical perspectives for the Council to consider.

The work product of both consultants was released publicly on January 25th to provide interested persons the opportunity to consider the information well in advance of the Council meeting. Both reports are attached: Edward Leamer's *Estimates on the Impact of Pasadena's Minimum Wage Ordinance* (Attachment B) and Michael Reich's *Pasadena's Minimum Wage Policy, Effects on Workers, Businesses, and the Local Economy* (Attachment C). Both consultants have been asked to present their findings directly to Council as part of tonight's presentation on this item.

The City Council is being asked to provide direction to staff regarding a possible amendment to Chapter 5.02 of the Pasadena Municipal Code, to establish future increases to the City-wide Minimum Wage. Given that the state of California has established a new statewide minimum wage that will ultimately rise to \$15 per hour, the issue before the Council this evening is largely one of timing. If the City Council were to direct an amendment to the Pasadena Minimum Wage Ordinance, as outlined in the Recommendation section of this report, the local minimum wage in Pasadena will reach \$15 per hour 18 months sooner than the state.

In the event an affirmative vote of at least 5 council members is not achieved to approve further future increases in the Pasadena minimum wage, or to take some other action(s), the City's current minimum wage rates would remain in effect.

FISCAL IMPACT TO THE CITY BUDGET:

The direct cost to the City for minimum wage/wage theft enforcement as well as public outreach are currently estimated at \$110,000 per year.

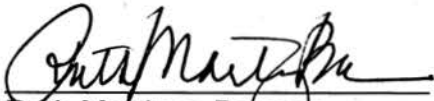
As it relates to the cost of applying the increase in minimum wage to \$14.25 effective July 1, 2019 to the City's own workforce, the estimated annual budget impact is an additional \$190,000 spread across various City funds with about half impacting in the General Fund.

Respectfully submitted,



Steve Mermell
City Manager

Prepared by:



Ruth Martinez-Baenen
Project Manager

Reviewed by:



Eric Duyshart
Economic Development Manager
City Manager's Office

Attachments: (4)

- Attachment A - Minimum Wage Rates Schedule, Pasadena, Los Angeles County, State
- Attachment B - Edward Leamer Report
- Attachment C - Michael Riech Report
- Attachment D - List of Minimum Wage Comments pulled from City Web site (Aug 2018- Jan 2019)