



City of Culver City

Mike Balkman Council
Chambers
9770 Culver Blvd.
Culver City, CA 90232

Staff Report

File #: 22-1016, **Version:** 1

Item #: A-2.

CC - ACTION ITEM: (1) Report on and Discussion of the Potential Development of an Ordinance Setting a Culver City Minimum Wage; (2) (If Desired) Creation of an Ad Hoc Minimum Wage Subcommittee and Appointment of Two City Council Members thereto; and (3) Direction to the City Manager as Deemed Appropriate.

Meeting Date: May 9, 2022

Contact Person/Dept: Onyx Jones/City Manager's Office

Phone Number: (310) 253-6023

Fiscal Impact: Yes ☐ No ☒

General Fund: Yes ☐ No ☒

Attachments: Yes ☒ No ☐

Commission Action Required: Yes ☐ No ☒

Public Notification: (E-Mail) Meetings and Agendas - City Council (05/04/2022)

Department Approval: Onyx Jones, Assistant City Manager (05/09/2022)

RECOMMENDATION

Staff recommends the City Council receive a report on and discuss the possible development of an Ordinance setting a Culver City minimum wage; (2) (if desired) create an Ad-Hoc Minimum Wage Subcommittee and appoint two City Council Members thereto; and (3) provide direction to the City Manager as deemed appropriate.

BACKGROUND

A movement to increase minimum wage per hour has gained momentum in many places across the country. With the federal minimum wage at \$7.25 an hour, many advocates of raising the minimum wage have focused on the enactment of state and local minimum wage laws. The State of California recently enacted legislation that has increased the minimum wage statewide to \$15 per hour in 2022; however, individual cities, especially in areas of the state with relatively higher costs of living have adopted local ordinances that establish a minimum wage greater than what was established by the

state Legislature.

The following are examples of current and upcoming minimum wage increases in metropolitan cities in California:

- Los Angeles - currently \$15.00/hr; however, effective 07/01/2022 the rate will be \$16.04/hr
- Santa Monica - currently \$15.00/hr; however, effective 07/01/2022 the rate will be \$15.96/hr
- Long Beach - Hotel Workers \$15.69/hr
- West Hollywood - currently \$15.50/hr for large businesses and \$15.00/hr for small businesses, effective 07/01/2022 the rate will be \$16.50/hr for large businesses and \$16/hr for small businesses
- Malibu - currently \$15.00/hr; however, effective 07/01/2022 the rate will be \$15.64/hr
- San Francisco - currently \$16.32/hr
- San Jose - currently \$16.20/hr

DISCUSSION

If City Council would like to consider implementing a local minimum wage, there are several processes and factors that should be considered.

Ad-Hoc Minimum Wage Subcommittee

Developing an ad-hoc minimum wage subcommittee would be critical for conducting further research on this topic and developing a comprehensive ordinance. There are numerous decision points that need to be made as the ordinance is being developed, and it would be important to have a subcommittee involved to provide guidance to City staff and make recommendations to the full City Council. Listed below are a few decision points that the local cities named above addressed during their processes.

- Determine whether the minimum wage would apply to both small and large businesses and would it be applied differently to various types of businesses, such as hotels.
- Would businesses with a smaller number of employees have a different minimum wage rate and/or would they be allowed more time to implement the new minimum wage rate? The City of Los Angeles offered businesses with 25 or fewer employees an additional year to comply with the law, and the City of West Hollywood has a lower minimum wage rate for small businesses.
- Will non-profit agencies small and large be included? Many non-profit agencies in Culver City rely on limited grant funding and donations to continue their operations.
- Will the minimum wage ordinance provide for annual increases and what factors would determine how to calculate the increase?
- Would the City consider a different minimum wage for employees 14-17 years of age?

- Will the minimum wage apply to transitional job programs?
- Will the ordinance be ongoing or set for a certain number of years?
- Guidelines will have to be included to provide direction on how to apply minimum wage regarding service charges, seasonal jobs, paid leave, tips, etc.
- How will Culver City enforce the ordinance, audit businesses, and investigate any complaints? What would be the impact to current City staff resources, and would new positions be required?

Community Engagement

If the City Council determines to move forward with this issue, staff recommends the Council engage the community and stakeholder groups such as workers, employers, advocacy groups, and community members to further discuss this topic. These types of discussions would allow the City to educate, inform and answer questions. Outreach would also help the City to determine which groups are in support or opposed to a potential ordinance.

Economic Impacts

When the City of Los Angeles, the City of Santa Monica and the City of West Hollywood implemented their minimum wage ordinances, they conducted multiple studies to review the financial/economic impacts of the proposed ordinances. All three cities were interested to research how the financial impacts of providing income gains to lower- income workers would affect price increases, impacts on employment, and/or the overall economic growth of the area. All three cities requested and received reports from various institutes/organizations such as The Institute for Research on Labor and Employment at UC Berkley, UCLA Economic Roundtable, and Beacon Economics. To synthesize the differing recommendations and projections in all three reports, the LA County Board of Supervisors commissioned a peer review analysis of the studies, and the outcomes are summarized in Attachment 1. The various studies were consistent in their estimate of total wage increases associated with the proposal and the number of individuals affected, but the studies differed in their estimates of employment and economic growth impacts.

Based on these varied results, should City Council decide to move forward with the minimum wage discussion, staff would recommend engaging with more than one firm to conduct the economic impact study. Additionally, those reports should be reviewed by the minimum wage committee, other relevant bodies like the Finance Advisory Committee, and an outside firm that could provide a peer review of the studies.

Staff Involvement

Should Council determine to move forward with this discussion, staff recommends that a consultant would be hired as a project manager to oversee this project, including assisting staff in drafting the ordinance, due to resource allocation. Additionally, the City might possibly need to engage outside legal counsel to work with the City on labor law compliance specifically related to minimum wages.

Possible Implementation Process/Concerns

The actual implementation of the ordinance would include multiple steps and the following items

should be considered:

- The development of an initial and annual budget to cover cost of:
 - Employees/consultants needed to implement and manage the program and a call center for incoming questions, complaints, etc.;
 - Development of a webpage on the City's website as a resource page and annual marketing program to inform the public of the annual updates to the minimum wage;
 - The cost of a hotline where employees or residents could file an anonymous complaint and report any businesses that are violating the ordinance;
 - An investigator to investigate the complaints and a hearing officer and/or appeals board when a company does not agree with the investigator's findings;
 - An audit firm to audit companies on an annual basis or to audit firms that are not in compliance with the ordinance;
- The timeline for this process could take two or more years to complete.
- An increase of minimum wage for City Hall employees could create compaction issues, which would require the City to look at all the salary tables for possible adjustments.

Conclusion

It is important that City Council has a full understanding of what a local minimum wage ordinance would look like and the possible implications for local businesses, residents, and employees. Culver City's economy, demographics, and geography are in many ways different from those of neighboring cities such as Los Angeles or Santa Monica. To responsibly consider the development of an ordinance that would increase the minimum wage, it will be important for Culver City to form an ad-hoc minimum wage subcommittee, hire a project manager, hire consultants to do multiple economic impact studies, present report findings to the community in forums to gather and assess feedback and then use that information to determine if City Council wants to direct staff to develop a potential ordinance.

FISCAL ANALYSIS

There is no immediate fiscal impact to receive the attached report. However, based on Council's direction staff would return to Council with any fiscal impact information as deemed necessary.

ATTACHMENTS

2022-05-09_Attachment_Exhibit 1

MOTION

That the City Council:

1. Receive a report and discuss the potential development of an Ordinance setting a Culver City minimum wage;

2. (If Desired) Creation of an Ad Hoc Minimum Wage Subcommittee and appointment of two City Council Members thereto; and
3. Provide direction to the City Manager as deemed appropriate.