



# City of Culver City

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## Staff Report

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**CC - ACTION ITEM:** (1) Consideration and Discussion of an Update on the Potential Development of an Ordinance Setting a Culver City Minimum Wage Rate; (2) (If Desired) Authorization to the City Manager to Hire a Consultant to Conduct an Economic Impact Study and/or Hire a Consultant as Project Manager; (3) **FOUR-FIFTHS VOTE REQUIREMENT:** Approval of a Budget Amendment up to the Amount of \$150,000 from the General Fund's Unassigned Fund Balance; and (4) Direction to the City Manager as Deemed Appropriate.

**Meeting Date:** September 12, 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 (09/07/2022)

**Department Approval:** Onyx Jones, Assistant City Manager (09/07/2022)

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### **RECOMMENDATION**

Staff Recommends the City Council (1) consider and discuss an update on the potential development of an Ordinance setting a Culver City minimum wage rate; (2) (if desired) authorize the City Manager to hire a consultant to conduct an economic impact study and/or hire a specialized consultant as project manager; (3) approve a budget amendment up to the amount of \$150,000 from the General Fund's unassigned Fund Balance (**four-fifths vote required**); and (4) provide direction to the City Manager as deemed appropriate.

### **BACKGROUND**

Recently a movement to increase minimum wage per hour has gained momentum in places across

the country. Currently, the federal minimum wage is \$7.25 an hour and many advocates of raising the minimum wage have instead 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 the current minimum wage increases in a few metropolitan cities in California:

- Los Angeles (Approved in 2016) - Effective 07/01/22 - \$16.04/hr
- Santa Monica (Approved in 2016) - Effective 07/01/22 - \$15.96/hr
- Long Beach (Approved in 2017) - Effective 07/01/22 - Hotel Workers - \$16.73/hr
- West Hollywood (Approved in 2021) - Effective 07/01/2022 - \$16.50/hr for large businesses and \$16.00/hr for small businesses
- Malibu (Approved in 2016) - Effective 07/01/2022 - \$15.96/hr
- San Francisco (Approved in 2003) - Effective 07/01/22 - \$16.99/hr
- San Jose (Approved in 2012) - Effective 01/01/2022 - \$16.20/hr

## **DISCUSSION**

During the May 9, 2022 City Council meeting, City Council discussed the potential development of a Culver City minimum wage ordinance and voted to create an Ad Hoc Minimum Wage Subcommittee (Subcommittee), appointing Vice Mayor Vera and Council Member McMorris thereto.

The Subcommittee met on August 18, 2022, to discuss increasing minimum wage and its possible implications for residents, local employees, businesses and the community as a whole. The Subcommittee reviewed the minimum wage rates for 38 different cities within California and the steps that neighboring cities such as the City of Los Angeles and the City of Santa Monica have taken to implement their ordinances. Staff shared copies of the economic impact studies that were conducted by those neighboring cities. After discussing various aspects of the minimum wage ordinance, the Subcommittee Members requested that staff present two options to City Council for further direction:

**Option 1:** Advance the discussion of creating a minimum wage ordinance to address the immediate needs of minimum wage workers in the City, conduct community stakeholder meetings to receive input on the development of the ordinance. Based on information gathered from the stakeholder meetings, direct the Subcommittee, staff and the City Attorney's Office to bring a draft ordinance to the City Council for consideration within the next six months.

**Option 2:** Hire outside consultants to conduct an economic impact study on the local effects of increasing minimum wage in Culver City including its impacts on the residents, workers and local businesses. Conduct community stakeholder meetings to receive input on the development of the

ordinance and bring a recommendation to City Council based on the information received from the economic impact study, the stakeholder meetings, the Subcommittee, staff and the City Attorney's Office.

If City Council would like to move forward with option one or two, there are several items that should be considered.

### **Community Engagement**

Consider conducting meetings to engage community 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. It will also allow the City to receive feedback from groups who have varying opinions about the 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 studies to review the financial/economic impacts of the proposed ordinances. All three cities researched 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.

### **Outside Consultants**

Should City Council decide to move forward with an economic impact study, staff would recommend engaging with more than one firm to simultaneously conduct the studies. Staff also recommends that a specialized consultant be hired as a project manager to oversee this project and assist with the development of the ordinance. The project manager can also provide a peer review of the economic impact studies and synthesize any similar and/or differing recommendations and projections.

In addition, the City Attorney's Office will need to consult with outside legal counsel, with an expertise in labor laws specifically related to minimum wage, during the course of this project.

### **Possible Implementation Process/Concerns**

If an ordinance is ultimately adopted, the implementation of the ordinance would include multiple steps and the following items should be considered:

- *Decision Points:* The development of a minimum wage ordinance would need to address the following decision points:
  - Determine whether the minimum wage would apply to both small and large businesses and, if so, would the City want to develop a lower minimum wage for small businesses with a small number of employees (i.e., City of West Hollywood has a lower minimum wage rate for small businesses with 49 or fewer employees).
  - Determine whether minimum wage would vary based on type of businesses, such as hotels, childcare providers, etc.
  - Should small businesses with a smaller number of employees 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.)

- 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. If an exemption is provided, an eligibility criterion would need to be established.
- Will the minimum wage ordinance provide for annual increases and what factors would be used to determine how to calculate the annual 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?
- The ordinance should give direction on how to apply minimum wage to the following:
  - service charges
  - seasonal employees
  - teen workers
  - paid leave
  - tips
- The ordinance must define the appeals process (deadlines, processes to set up and conduct a hearing).
- 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? Or would an ongoing agreement with a consultant be necessary?
- There should be guidelines provided to address employees who enter and exit the city during their workday/workweek and how to track those hours to apply the minimum wage factor.
- There should be guidelines that require the development of educational materials, including how that information will be distributed to businesses and how often.
- Administrative fines and penalties will need to be developed for businesses that do not comply with the ordinance.
- The ordinance should include remedies the businesses must take to repay any lost wages, benefits and penalties to their employees (i.e., Will the City collect the funds and pay the employee, will the employer pay the employee directly, will the City allow a payment plan?).
- Will the City hire a collection agency to collect unpaid fines and penalties or file Civil Action against the employer on behalf of the employee?

- **Budget:** The implementation of a minimum wage ordinance will require 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 cost to inform the public of the annual updates to the minimum wage.
  - The cost of a hotline where employees or residents can 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 business 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 increase of minimum wage for City Hall employees could create compaction issues, which would require the City to look at all of the salary tables for possible adjustments.

## **Conclusion**

In summary, staff is requesting that City Council give direction on Option #1 or #2 as presented in this report or provide direction to the City Manager as deemed appropriate.

### **Option 1**

- Conduct community stakeholder meetings to receive input on the development of the ordinance.
- Based on information gathered from the stakeholder meetings, direct the Subcommittee, staff and the City Attorney's Office to bring a draft ordinance to the City Council for approval within the next six months.

### **Option 2**

- Hire outside consultants to conduct an economic impact study on the local effects of increasing minimum wage in Culver City including its impacts on residents, workers and local businesses and a project manager to oversee the project.
- Conduct community stakeholder meetings to receive input on the development of the ordinance.
- Bring a recommendation to City Council based on the information received from the economic impact study, the stakeholder meetings, the Subcommittee, staff and the City Attorney's Office.

## **FISCAL ANALYSIS**

The fiscal analysis will vary based on City Council's recommendations. The costs for a minimum wage study are estimated at approximately \$75,000, depending on the number of studies conducted, scope of services, and level of community outreach involved. Staff is also proposing to hire a specialized consultant that can serve as the project leader and assist with development of the ordinance at an estimated cost of \$50,000. In addition, the City Attorney's Office will need to consult with outside legal counsel, with an expertise in labor laws specifically related to minimum wage, during the course of this project at an estimated cost of between \$10,000 to \$25,000, depending on the complexity of the ordinance.

If desired, staff recommends approval of a budget amendment up to the amount of \$150,000 from the General Fund's unassigned Fund Balance. Expenses will be paid from General Fund Account #101.22100.610400 (**four-fifths vote required**).

### **ATTACHMENTS**

None.

### **MOTION**

That the City Council:

1. Consider and discuss an update on the potential development of an Ordinance setting a Culver City minimum wage;
2. (If desired) authorize staff to hire a consultant to conduct an economic impact study and/or hire a specialized consultant as project manager;
3. Approve of budget amendment up to the amount of \$150,000 from the General Fund's unassigned Fund Balance (**four fifths vote required**); and
4. Provide direction to the City Manager as deemed appropriate.