



Fremont City Council

3300 Capitol Avenue
Fremont, CA 94538

SCHEDULED

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RESULTS OF PUBLIC OUTREACH ON MINIMUM WAGE ORDINANCE - Results of Public Outreach Regarding a Local Minimum Wage Ordinance and Options for Council Action

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Executive Summary: On July 17, 2018, staff responded to a City Council referral on adopting a local minimum wage ordinance. At that meeting, the City Council directed staff to conduct public outreach and community meetings to receive resident and local business feedback. This report provides a summary of results from staff's outreach efforts and requests that the City Council give further direction.

BACKGROUND: On July 17, 2018, in response to a referral from Vice Mayor Bacon, staff presented the City Council with a report that described what steps the State and other cities in our region have taken to increase the minimum wage, identified segments of the Fremont community that might be impacted by a local minimum wage ordinance, and offered options for City Council action. The staff report and the presentation slides for agenda item 7.B. are available on the City's website at: <https://www.fremont.gov/AgendaCenter/City-Council-4>.

The City Council directed staff to conduct public outreach and community meetings to receive resident and local business feedback, with the understanding that staff would return to Council to present results and request further guidance. This report provides a summary of results from staff's outreach efforts and requests that the City Council give further direction.

DISCUSSION/ANALYSIS: Outreach efforts included an online survey conducted through the City's Fremont Open City Hall online civic engagement forum, a facilitated public meeting with business representatives, a discussion with leaders of local non-profit organizations, and moderated focus groups of low-wage workers employed by Fremont businesses.

Fremont Open City Hall

The City fielded an online survey and discussion topic from August 29 through November 13, 2018 in English, Spanish, and Chinese. Respondents self-identified as residents, employers, employees, or some combination of those, and then answered questions designed to assess their level of support for an accelerated local minimum wage, as well as to identify what they might perceive as benefits or concerns.

The topic received 539 visits and over 300 responses, with the majority of responses (88%) coming from Fremont residents. A significant portion of the respondents identified as

employees of Fremont businesses (29%) or businesses/non-profit organizations (23%). Within the business/non-profit category, most (73%) employ 25 or fewer workers.

Overall, 62% of respondents support adopting an accelerated minimum wage schedule, while 38% prefer to stay on the State's schedule. Of the non-business respondents, 69% support an accelerated minimum wage, while 64% of the businesses/non-profits prefer to stay on the State's schedule.

Support for the accelerated schedule was weakest from the larger businesses (31%) and smaller businesses (34%), increasing to 50% from the non-profit organizations. Among employees of Fremont businesses, support for an accelerated minimum wage was strongest (88%) from those currently earning less than \$15 per hour and weakest from those on salary (51%).

In the event of the City adopting an accelerated minimum wage schedule, over half (57%) of the business/non-profit respondents reported that they would need to raise wages for many of their employees, while just under one-third (31%) would not be impacted as they already pay most of their employees over \$15 per hour.

Strategies to address higher payroll costs include raising prices (48%), eliminating positions (42%), or reducing work hours (38%). Over a third of respondents (37%) thought they would not be impacted or could absorb the costs. Longer term, 30% of business said they choose not to expand in Fremont and 26% said they would either close or relocate outside the City.

The following list summarizes many of the benefits and concerns identified by respondents.

Benefits

- Partially addresses high cost of living, but not a substitute for a living wage
- Assists families and workers across all age groups, not just students
- Preserves economic diversity of Fremont community
- Assists long-time resident renters to remain in Fremont
- More time spent with family
- Higher sales tax revenues
- Improves worker retention for Fremont employers

Concerns

- Small benefit for workers but big cost for businesses
- Labor costs are magnified due to ripple effect on higher-paid and union employees
- Reduced employment opportunities, particularly for students and entry-level workers
- Aggravates unemployment in an economic downturn
- Higher prices, with a particularly significant impact on fixed-income seniors
- Doesn't address housing availability or affordability, increases cost of living
- Disadvantages small businesses versus large chains
- Discourages businesses from locating or remaining in Fremont
- State is already addressing this issue
- Wages should be set by the labor market, not government mandate

Reports listing all of the Fremont Open City Hall responses in English, Spanish, and Chinese are provided as attachments.

Employer Perspective

A local business outreach workshop was held on October 11, 2018, and was primarily attended by local small business owners of established, independent operations, including cafes/restaurants, a pharmacy, and other retailers. All of the participants said that they are planning, organizing, and making business decisions now to account for the State's minimum wage increases over the next several years. They feel that accelerating that timetable would be a major disruption and impose economic hardship on affected businesses.

An important point raised during the workshop is the "ripple effect" of raising wages for the lowest paid workers. Direct costs include not only higher wages but also increased taxes and insurance costs that are based on payroll expense. Indirect costs arise from pressure to increase compensation for more highly-paid employees.

The group indicated that their responses to a more rapid increase in minimum wage could include increased prices to their customers, eliminating or reducing benefits and incentive/merit pay, reducing staff (and customer service), negotiating rent reductions, or possibly going out of business or leaving Fremont (increasing commercial vacancy rates). It was also a perception by business owners that consumers in Fremont may not be able to support price increases, which may be more viable in other parts of the region.

Although participants noted that they thought larger businesses are better positioned to absorb increased staffing costs, they are concerned that there would be fewer entry-level employment opportunities and that some businesses would be discouraged from locating or expanding in Fremont.

Non-Profit Organization Perspective

A special focus group was held for the Fremont Family Resource Center (FRC) leadership team and partner agencies on November 2, 2018. Those non-profits or governmental agencies that employ low-wage staff will need to eliminate positions or reduce work hours if the minimum wage goes up.

While most of the participants expressed support for a local minimum wage ordinance in Fremont, they raised the concern that some workers could lose access to governmental benefits that are based on income. A point the group wanted to convey is that while raising the minimum wage will provide a boost to many low-wage workers, it still leaves many employees earning less than a "living wage" and shouldn't be expected to resolve the shortage of affordable housing.

Employee Perspective

Two focus groups, one in English and one in Spanish, were conducted on November 15, 2018, with low-wage workers employed by Fremont businesses. Many of the participants are also Fremont residents. They are aware that employers in other parts of our region pay higher wages, but longer commutes, childcare needs, and proximity to school discourage them from working farther away. Many participants are working more than one job to support their families. In a number of cases, these workers are living in multi-generational households and may not be able to afford housing on their own.

Virtually all participants supported a higher minimum wage, with a common feeling that what the City is considering is "too little, too late" given the high cost of living in our region. If the City were to adopt an accelerated wage increase schedule, participants encouraged the Council to include a provision to ensure that the local minimum wage would remain higher than the statewide level even after it reaches \$15 per hour. Even at the \$15 per hour wage level, focus group members said they would still be struggling to provide for their families and even so-called "affordable" housing would remain out of reach.

Although some participants expressed concern about losing access to Medi-Cal, CalFresh (food stamps), or school financial aid, those concerns did not outweigh their support for a higher minimum wage. Similarly, although they acknowledged that their employers might reduce staffing or increase workloads in response to higher wages, group members were prepared to accept those consequences in return for higher pay. A report from the focus group moderator, FM3 Research, summarizing the results of the focus groups is provided as an attachment.

Options for City Council Action

Staff is requesting that Council provide direction as to the next steps the City should pursue with regard to an accelerated minimum wage ordinance. Having now received feedback from residents, local businesses, and impacted employees, the City Council can choose to either:

1. Continue to operate under the State of California's increasing minimum wage schedule, which reaches \$15 per hour for all employees by January 1, 2023; or
2. Direct staff to draft an accelerated minimum wage schedule and minimum wage ordinance and return to Council for approval.

FISCAL IMPACT: As discussed in some detail in the July 17 staff report, adoption of a local minimum wage ordinance would increase annual costs for certain City services by approximately \$500,000, some of which might be recovered through higher recreation program fees, and permanently add ongoing expenses ranging between \$15,000 (if the City were able to contract out) and \$180,000 (if the City were to staff internally) related to administration and enforcement.

ENVIRONMENTAL REVIEW: The proposed action is not subject to the California Environmental Quality Act (CEQA) because it is not a "project" pursuant to the definition of "project" in CEQA Guidelines Section 15378.

ATTACHMENTS:

- Fremont Open City Hall - Responses
- Fremont Open City Hall - Responses (Spanish)
- Fremont Open City Hall - Responses (Chinese)
- FM3 Minimum Wage Focus Groups Report

RECOMMENDATION:

1. Receive staff report.
2. Provide staff with direction as to next steps.