

BOARD of SUPERVISORS



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MEMORANDUM

RULES COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Norman Yee, Chair
Rules Committee

FROM: Alisa Miller, Clerk, Rules Committee

DATE: July 28, 2014

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, July 29, 2014

The following file should be presented as a **COMMITTEE REPORT** at the Board meeting on Tuesday, July 29, 2014. This item was acted upon at the Special Committee Meeting on Thursday, July 24, 2014, at 2:00 p.m., by the votes indicated.

Item No. 55 File No. 140687

Motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the Minimum Wage Ordinance at an election to be held on November 4, 2014.

RECOMMENDED AS A COMMITTEE REPORT

Vote: Supervisor Norman Yee - Aye
Supervisor Katy Tang - Aye
Supervisor David Campos - Aye

c: Board of Supervisors
Angela Calvillo, Clerk of the Board
Rick Caldeira, Deputy Legislative Clerk
Jon Givner, Deputy City Attorney

File No. 140687

Committee Item No. 7

Board Item No. 55

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Rules

Date July 24, 2014

Board of Supervisors Meeting

Date July 20, 2014

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Motion |
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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Economic Impact Report, dtd 7/17/14</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Financial Analysis, dtd 7/16/14</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>CEQA Determination</u> |
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Completed by: Alisa Miller Date July 18, 2014

Completed by: Alisa Miller Date July 20, 2014

1 [Initiative Ordinance - Administrative Code - Minimum Wage]

2
3 **Motion ordering submitted to the voters an ordinance amending the Administrative**
4 **Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour**
5 **on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed**
6 **thereafter by annual cost-of-living increases; following 2015, provide only for annual**
7 **cost-of-living increases in the minimum wage for two narrow categories of employees;**
8 **and include the City government and In-Home Supportive Services Public Authority as**
9 **employers subject to the minimum wage ordinance, at an election to be held on**
10 **November 4, 2014.**

11
12 **MOVED, That the Board of Supervisors hereby submits the following ordinance to the**
13 **voters of the City and County of San Francisco, at an election to be held on November 4,**
14 **2014.**

15
16 **Ordinance amending the Administrative Code to increase the minimum wage for**
17 **employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases,**
18 **reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living**
19 **increases; following 2015, provide only for annual cost-of-living increases in the**
20 **minimum wage for two narrow categories of employees; and include the City**
21 **government and In-Home Supportive Services Public Authority as employers subject to**
22 **the minimum wage ordinance.**

23 **NOTE: Unchanged Code text and uncodified text are in plain font.**
24 **Additions to Codes are in *single-underline italics Times New Roman font.***
25 **Deletions to Codes are in ~~italics Times New Roman font.~~**
Asterisks (* * * *) indicate the omission of unchanged Code subsections or
parts of tables.

1
2 Be it ordained by the People of the City and County of San Francisco:

3 Section 1. The Administrative Code is hereby amended by revising Chapter 12R,
4 Sections 12R.3, 12R.4, 12R.7, 12R.10, 12R.11, and 12R.17, to read as follows:

5 **SEC. 12R.3. DEFINITIONS.**

6 As used in this Chapter, the following capitalized terms shall have the following
7 meanings:

8 "Agency" shall mean the Office of Labor Standards Enforcement or its successor
9 ~~agency Living Wage/Living Health Division of the Office of Contract Administration or such other City~~
10 ~~department or agency as the City shall by resolution designate.~~

11 "City" shall mean the City and County of San Francisco.

12 "Employee" shall mean any person who:

13 (a) In a particular week performs at least two (2) hours of work for an Employer
14 within the geographic boundaries of the City; and

15 (b) Qualifies as an employee entitled to payment of a minimum wage from any
16 employer under the California minimum wage law, as provided under Section 1197 of the
17 California Labor Code and wage orders published by the California Industrial Welfare
18 Commission, or is a participant in a Welfare-to-Work Program.

19 "Employer" shall mean any person, as defined in Section 18 of the California Labor
20 Code, including corporate officers or executives, who directly or indirectly or through an agent
21 any other person, including through the services of a temporary services or staffing agency or
22 similar entity, employs or exercises control over the wages, hours or working conditions of any
23 Employee. "Employer" shall include the City and the San Francisco In-Home Supportive Services
24 Public Authority.

1 "Government Supported Employee" shall mean any Employee who is: (1) under the age of 18
2 and is employed as an after-school or summer Employee in a bona fide training or apprenticeship
3 program in a position that is subsidized by the federal, state, or local government ; or (2) over the age
4 55 and is employed by a Non-Profit Corporation that provides social welfare services as a core mission
5 to individuals who are over the age of 55 and is in a position that is subsidized by federal, state, or
6 local government. The second category shall apply only to Non-Profit Corporations operating as of
7 January 1, 2015, and apply only as to the number of employees over the age of 55 holding positions in
8 the Corporation as of January 1, 2015 that are subsidized by federal, state, or local government, plus
9 25% of that number. Any employees hired by a Non-Profit Corporation after January 1, 2015 that
10 exceed the numerical threshold in the prior sentence (including the additional 25%) shall not qualify as
11 "Government Supported Employees." If at any time the number of employees over the age of 55
12 holding positions in the Corporation that are subsidized by federal, state, or local government falls
13 below that numerical threshold (including the additional 25%), then those positions shall qualify as
14 "Government Supported Employee" positions.

15 "Minimum Wage" shall have the meaning set forth in Section 12R.4 of this Chapter.

16 ~~"Small Business" shall mean an Employer for which fewer than ten (10) persons perform work~~
17 ~~for compensation during a given week. In determining the number of persons performing work for an~~
18 ~~Employer during a given week, all persons performing work for compensation on a full-time, part-time,~~
19 ~~or temporary basis shall be counted, including persons made available to work through the services of~~
20 ~~a temporary services or staffing agency or similar entity.~~

21 "Nonprofit Corporation" shall mean a nonprofit corporation, duly organized, validly
22 existing and in good standing under the laws of the jurisdiction of its incorporation and (if a
23 foreign corporation) in good standing under the laws of the State of California, which
24 corporation has established and maintains valid nonprofit status under Section 501(c)(3) of
25

1 the United States Internal Revenue Code of 1986, as amended, and all rules and regulations
2 promulgated under such Section.

3 "Welfare-to-Work Program" shall mean the City's CalWORKS Program, County Adult
4 Assistance Program (CAAP) which includes the Personal Assisted Employment Services
5 (PAES) Program, and General Assistance Program, and any successor programs that are
6 substantially similar to them.

7 **SEC. 12R.4. MINIMUM WAGE.**

8 (a) Employers shall pay Employees no less than the Minimum Wage for each hour
9 worked within the geographic boundaries of the City.

10 (1) Except as provided in subsection 12R.4(b), the Minimum Wage paid to Employees
11 shall be as follows:

12 (A) Beginning on May 1, 2015, the Minimum Wage shall be an hourly rate of
13 \$12.25.

14 (B) Beginning on July 1, 2016, the Minimum Wage shall be an hourly rate of
15 \$13.00.

16 (C) Beginning on July 1, 2017, the Minimum Wage shall be an hourly rate of
17 \$14.00.

18 (D) Beginning on July 1, 2018, the Minimum Wage shall be an hourly rate of
19 \$15.00.

20 (E) Beginning on July 1, 2019, and each year thereafter, the Minimum Wage
21 shall increase by an amount corresponding to the prior year's increase, if any, in the Consumer Price
22 Index for urban wage earners and clerical workers for the San Francisco-Oakland-San Jose, CA
23 metropolitan statistical area, as determined by the Controller.

24 (b) Beginning on May 1, 2015, the Minimum Wage paid to Government Supported Employees
25 shall be an hourly rate of \$12.25. Beginning on July 1, 2016, and each year thereafter, the Minimum

1 Wage paid to Government Supported Employees shall increase by an amount corresponding to the
2 prior year's increase, if any, in the Consumer Price Index for urban wage earners and clerical workers
3 for the San Francisco-Oakland-San Jose, CA metropolitan statistical area, as determined by the
4 Controller. the effective date of this Chapter, the Minimum Wage shall be an hourly rate of \$8.50. To
5 prevent inflation from eroding its value, beginning on January 1, 2005, and each year thereafter, the
6 Minimum Wage shall increase by an amount corresponding to the prior year's increase, if any, in the
7 Consumer Price Index for urban wage earners and clerical workers for the San Francisco-Oakland-
8 San Jose, CA metropolitan statistical area.

9 (e) ~~The Minimum Wage for Employers that are Small Businesses or Nonprofit Corporations~~
10 ~~shall phase in over a two year period in order to afford such Employers time to adjust. For such~~
11 ~~Employers, the effective date of this Chapter shall be January 1, 2005. For a transition period~~
12 ~~beginning January 1, 2005 and ending December 31, 2005, the Minimum Wage for Employees of such~~
13 ~~Employers shall be an hourly rate of \$7.75. Beginning January 1, 2006, the Minimum Wage for~~
14 ~~Employees of such Employers shall be the regular Minimum Wage established pursuant to Section~~
15 ~~4(b)1 of this Chapter.~~

16 * * * *

17 **SEC. 12R.7. IMPLEMENTATION AND ENFORCEMENT.**

18 (a) Enforcement Priority. It is the policy of the City and County of San Francisco that all
19 employees be compensated fairly according to the law and that Employers who engage in wage theft be
20 held accountable. Towards that end, the Mayor and Board of Supervisors shall study and review the
21 feasibility of enacting additional measures consistent with state law to enhance the Agency's
22 enforcement tools and the City's efforts to combat wage theft. The Mayor and Board of Supervisors
23 shall also take steps to ensure optimal collaboration among all City agencies and departments, as well
24 as between the City and state and federal labor standards agencies, in the enforcement of this Chapter.

1 ~~(a)~~ (b) **Implementation.** The Agency shall be authorized to coordinate implementation
2 and enforcement of this Chapter and may promulgate appropriate guidelines or rules for such
3 purposes consistent with this Chapter. Any guidelines or rules promulgated by the Agency
4 shall have the force and effect of law and may be relied on by Employers, Employees and
5 other parties to determine their rights and responsibilities under this Chapter. Any guidelines
6 or rules may establish procedures for ensuring fair, efficient and cost-effective implementation
7 of this Chapter, including supplementary procedures for helping to inform Employees of their
8 rights under this Chapter, for monitoring Employer compliance with this Chapter, and for
9 providing administrative hearings to determine whether an Employer or other person has
10 violated the requirements of this Chapter. The Agency shall make every effort to resolve
11 complaints in a timely manner and shall have a policy that the Agency shall take no more than
12 one year to settle, request an administrative hearing under Section 12R.7(b), or initiate a civil
13 action under Section 12R.7(c). The failure of the Agency to meet these timelines within one
14 year shall not be grounds for closure or dismissal of the complaint.

15 ~~(b)~~ (c) **Administrative Enforcement.**

16 (1) The Agency is authorized to take appropriate steps to enforce this Chapter.
17 The Agency may investigate any possible violations of this Chapter by an Employer or other
18 person. Where the Agency has reason to believe that a violation has occurred, it may order
19 any appropriate temporary or interim relief to mitigate the violation or maintain the status quo
20 pending completion of a full investigation or hearing.

21 (2) Where the Agency, after a hearing that affords a suspected violator due
22 process, determines that a violation has occurred, it may order any appropriate relief
23 including, but not limited to, reinstatement, the payment of any back wages unlawfully
24 withheld, and the payment of an additional sum as an administrative penalty in the amount of
25 \$50 to each Employee or person whose rights under this Chapter were violated for each day

1 that the violation occurred or continued. A violation for unlawfully withholding wages shall be
2 deemed to continue from the date immediately following the date that the wages were due
3 and payable as provided in Part 1 (commencing with Section 200) of Division 2 of the
4 California Labor Code, to the date immediately preceding the date the wages are paid in full.
5 Where prompt compliance is not forthcoming, the Agency may take any appropriate
6 enforcement action to secure compliance, including initiating a civil action pursuant to Section
7 ~~7(e)~~ 12R.7(c) of this Chapter and/or, except where prohibited by state or federal law,
8 requesting that City agencies or departments revoke or suspend any registration certificates,
9 permits or licenses held or requested by the Employer or person until such time as the
10 violation is remedied. All City agencies and departments shall cooperate with revocation or
11 suspension requests from the Agency. In order to compensate the City for the costs of
12 investigating and remedying the violation, the Agency may also order the violating Employer
13 or person to pay to the City a sum of not more than \$50 for each day and for each Employee
14 or person as to whom the violation occurred or continued. Such funds shall be allocated to the
15 Agency and shall be used to offset the costs of implementing and enforcing this Chapter. The
16 amounts of all sums and payments authorized or required under this Chapter shall be updated
17 annually for inflation, beginning January 1, 2005, using the inflation rate and procedures set
18 forth in Section 4(b) 12R.4 of this Chapter.

19 (3) An Employee or other person may report to the Agency in writing any
20 suspected violation of this Chapter. The Agency shall encourage reporting pursuant to this
21 subsection by keeping confidential, to the maximum extent permitted by applicable laws, the
22 name and other identifying information of the Employee or person reporting the violation.
23 Provided, however, that with the authorization of such person, the Agency may disclose his or
24 her name and identifying information as necessary to enforce this Chapter or for other
25 appropriate purposes. In order to further encourage reporting by Employees, if the Agency

1 notifies an Employer that the Agency is investigating a complaint, the Agency shall require the
2 Employer to post or otherwise notify its Employees that the Agency is conducting an
3 investigation, using a form provided by the Agency.

4 ~~(e)~~ (d) **Civil Enforcement.** The Agency, the City Attorney, any person aggrieved by a
5 violation of this Chapter, any entity a member of which is aggrieved by a violation of this
6 Chapter, or any other person or entity acting on behalf of the public as provided for under
7 applicable state law, may bring a civil action in a court of competent jurisdiction against the
8 Employer or other person violating this Chapter and, upon prevailing, shall be entitled to such
9 legal or equitable relief as may be appropriate to remedy the violation including, without
10 limitation, the payment of any back wages unlawfully withheld, the payment of an additional
11 sum as *liquidated damages penalties* in the amount of \$50 to each Employee or person whose
12 rights under this Chapter were violated for each day that the violation occurred or continued,
13 reinstatement in employment and/or injunctive relief, and shall be awarded reasonable
14 attorneys' fees and costs. Provided, however, that any person or entity enforcing this Chapter
15 on behalf of the public as provided for under applicable state law shall, upon prevailing, be
16 entitled only to equitable, injunctive or restitutionary relief, and reasonable attorneys' fees and
17 costs. Nothing in this Chapter shall be interpreted as restricting, precluding, or otherwise
18 limiting a separate or concurrent criminal prosecution under the Municipal Code or state law.
19 Jeopardy shall not attach as a result of any administrative or civil enforcement action taken
20 pursuant to this Chapter.

21 ~~(d)~~ (e) **Interest.** In any administrative or civil action brought for the nonpayment of
22 wages under this Section, the Agency or court, as the case may be, shall award interest on all
23 due and unpaid wages at the rate of interest specified in subdivision (b) of Section 3289 of the
24 California Civil Code, which shall accrue from the date that the wages were due and payable
25

1 as provided in Part 1 (commencing with Section 200) of Division 2 of the California Labor
2 Code, to the date the wages are paid in full.

3 (e) (f) Posting Notice of Violation. If an Employer fails to comply with a settlement
4 agreement with the Agency, a final determination by the Agency after an administrative
5 hearing officer issues a decision after a hearing under Section 12R.7(b), an administrative
6 citation issues under Section 12R.19, a decision made in an administrative appeal brought
7 under Section 12R.21, or judgment issued by the Superior Court, and the Employer has not
8 filed an appeal from the administrative hearing decision, administrative citation, administrative
9 appeal decision, or judgment, or the appeal is final, the Agency may require the Employer to
10 post public notice of the Employer's failure to comply in a form determined by the Agency.

11 (g) City Employees. Where the aggrieved party is an Employee of the City, the Employee shall
12 be entitled to all rights and remedies available under this Section 12R.7 except the Employee may not
13 recover the \$50 per diem penalty provided for in subsections (b) and (c) of this Section 12R.7.

14 * * * *

15 **SEC. 12R.10. APPLICATION OF MINIMUM WAGE TO WELFARE-TO-WORK**
16 **PROGRAMS.**

17 The Minimum Wage established pursuant to Section 12R.4 4(b) of this Chapter shall
18 apply to the City's Welfare-to-Work Programs under which persons must perform work in
19 exchange for receipt of benefits. Participants in Welfare-to-Work Programs shall not, during a
20 given benefits period, be required to work more than a number of hours equal to the value of
21 all cash benefits received during that period, divided by the Minimum Wage. Where state or
22 federal law would preclude the City from reducing the number of work hours required under a
23 given Welfare-to-Work Program, the City may comply with this Section by increasing the cash
24 benefits awarded so that their value is no less than the product of the Minimum Wage
25 multiplied by the number of work hours required.

1 **SEC. 12R.11. EFFECTIVE OPERATIVE DATE.**

2 The changes to this Chapter adopted at the November 4, 2014 municipal election shall have
3 prospective effect only and shall become operative effective on May 1, 2015. ~~ninety (90) days after it~~
4 is adopted. This Chapter is intended to have prospective effect only.

5 * * * *

6 **SEC. 12R.17. VIOLATIONS.**

7 **(a) Separate and Continuing Violations; Penalties Paid Do Not Cure Violations.**

8 Each and every day that a violation exists constitutes a separate and distinct offense. Each
9 section violated constitutes a separate violation for any day at issue. If the person or persons
10 responsible for a violation fail to correct the violation within the time period specified on the
11 citation and required under Section 12R.18, the Director of the Office of Labor Standards
12 Enforcement may issue subsequent administrative citations for the uncorrected violation(s)
13 without issuing a new notice as otherwise required by Section 12R.18**(b)(a)**. Payment of the
14 penalty shall not excuse the failure to correct the violation nor shall it bar any further
15 enforcement action by the City. If penalties and costs are the subject of administrative appeal
16 or judicial review, then the accrual of such penalties and costs shall be stayed until the
17 determination of such appeal or review is final.

18 **(b) Payments to City; Due Date; Late Payment Penalty.** All penalties assessed
19 under Section 12R.16 shall be payable to the City and County of San Francisco.
20 Administrative penalties and costs assessed by means of an administrative citation shall be
21 due within thirty (30) days from the date of the citation. The failure of any person to pay an
22 administrative penalty and costs within that time shall result in the assessment of an additional
23 late fee. The amount of the late fee shall be ten (10) percent of the total amount of the
24 administrative penalty assessed for each month the penalty and any already accrued late
25 payment penalty remains unpaid.

1 (c) **Collection of Penalties; Special Assessments.** The failure of any person to pay
2 a penalty assessed by administrative citation under Section 12R.16 within the time specified
3 on the citation constitutes a debt to the City. The City may file a civil action, create and impose
4 liens as set forth below, or pursue any other legal remedy to collect such money.

5 (d) **Liens.** The City may create and impose liens against any property owned or
6 operated by a person who fails to pay a penalty assessed by administrative citation. The
7 procedures provided for in ~~Chapter XX of Chapter 10~~ Chapter 10, Article XX of the ~~San Francisco~~
8 Administrative Code shall govern the imposition and collection of such liens.

9 (e) **Payment to City.** The Labor Standards Enforcement Officer has the authority to
10 require that payment of back wages found to be due and owing to employees be paid directly
11 to the City and County of San Francisco for disbursement to the employees. The Controller
12 shall hold the back wages in escrow for workers whom the Labor Standards Enforcement
13 Officer, despite his/her best efforts, including any required public notice, cannot locate; funds
14 so held for three years or more shall be dedicated to the enforcement of the Minimum Wage
15 Ordinance or other laws enforced by the Office of Labor Standards Enforcement.

16 * * * *

17 Section 2. The Administrative Code is hereby amended by revising Chapter 70, to
18 read as follows:

19 **CHAPTER 70: IN-HOME SUPPORTIVE SERVICES PUBLIC AUTHORITY**

20 * * * *

21 **SEC. 70.11. MINIMUM COMPENSATION.**

22 ~~(a)~~ All Employees of the In-Home Supportive Services Public Authority, including,
23 without limitation, IHSS personnel referred to consumers, or referred by consumers for
24 inclusion in the Authority, shall be deemed to be "Covered Employees" and shall be paid no
25 less than the "Minimum Compensation," as ~~such terms are~~ that term is defined in Chapter 12P-2

1 of the *San Francisco* Administrative Code, and shall be deemed "Employees" and paid no less than
2 the "Minimum Wage," as that term is defined in Chapter 12.R of the Administrative Code. This
3 Section shall be implemented in a manner that does not conflict with applicable federal or
4 State laws.

5
6 Section 3. Scope of Ordinance. In enacting this ordinance, the People of the City and
7 County of San Francisco intend to amend only those words, phrases, paragraphs,
8 subsections, sections, articles, numbers, punctuation marks, charts, diagrams, or any other
9 constituent parts of the Municipal Code that are explicitly shown in this ordinance as additions
10 or deletions, in accordance with the "Note" that appears under the official title of the
11 ordinance.

12
13 Section 4. Conflict with Other Measures. This Initiative will be deemed to conflict with
14 any other measure appearing on the same ballot establishing minimum wage rates. In the
15 event that this Initiative and any other such measure(s) are approved by the voters at the
16 same election, and this initiative receives a greater number of affirmative votes than any other
17 such measure or measures, this initiative shall control in its entirety and the other measure or
18 measures shall be rendered void and without any legal effect. If this Initiative is approved by
19 a majority of the voters but does not receive a greater number of affirmative votes than any
20
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1 other measure appearing on the same ballot establishing minimum wage rates, this Initiative
2 shall take effect to the extent not in conflict with said measure or measures.

3 APPROVED AS TO FORM:

4 DENNIS J. HERRERA, City Attorney

5
6 By: 
7 FRANCESCA GESSNER
8 Deputy City Attorney

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REVISED LEGISLATIVE DIGEST

(July 17, 2014, Amended in Committee)

[Initiative Ordinance - Administrative Code - Minimum Wage]

Ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the minimum wage ordinance.

Existing Law

Chapter 12R of the Administrative Code, titled the Minimum Wage Ordinance ("MWO"), establishes the minimum wage for employees working within the geographic boundaries of the City and County of San Francisco. The minimum wage is raised each year on January 1 by an amount corresponding to the prior year's increase, if any, in the Consumer Price Index. The minimum wage is currently \$10.74 per hour.

Amendments to Current Law

The initiative ordinance would amend the MWO as follows:

- Increase the minimum wage to \$12.25/hour on May 1, 2015, to \$13/hour on July 1, 2016, to \$14/hour on July 1, 2017, and to \$15/hour on July 1, 2018, with annual increases thereafter starting on July 1, 2019 based on the Consumer Price Index.
- Create two categories of "Government Supported Employees" who would be subject to a minimum wage of \$12.25/hour starting on May 1, 2015, with annual increases thereafter starting on July 1, 2016 based on the Consumer Price Index.
- Add the City and the San Francisco In-Home Supportive Services Public Authority to the definition of "Employer" in the MWO.
- Exempt City employees from recovering monetary penalties in an administrative or civil enforcement action for violation of the MWO.

The initiative would also amend Chapter 70 of the Administrative Code to provide that employees of the In-Home Supportive Services Public Authority shall be paid no less than the minimum compensation rate established in the Minimum Compensation Ordinance (a discrete ordinance applicable to City contractors) and no less than the minimum wage rate established in the MWO. The initiative ordinance would become operative on May 1, 2015.



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

July 17, 2014

The Honorable Board of Supervisors
City and County of San Francisco
Room 244, City Hall

Angela Calvillo
Clerk of the Board of Supervisors
Room 244, City Hall

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
JUL 17 PM 2:07

Re: Office of Economic Analysis Impact Report for File Number 140687

Dear Madam Clerk and Members of the Board:

The Office of Economic Analysis is pleased to present you with its economic impact report on file number 140687, "Increasing the Minimum Wage: Economic Impact Report." If you have any questions about this report, please contact me at (415) 554-5268.

Best Regards,

Ted Egan
Chief Economist

Increasing the Minimum Wage: Economic Impact Report

Office of Economic Analysis
Item #140687

July 17th, 2014



Introduction

- The proposed legislation would raise the minimum wage that employers within San Francisco would be required to pay to employees.
- The current minimum wage in the city is \$10.74 per hour. The wage is now indexed to inflation.
- The legislation would raise the minimum wage, in increments, to \$15.00 per hour by July 1, 2018.
- Beginning on July 1, 2019, the minimum wage would be indexed to inflation.



Proposed Minimum Wage Progression

Date	Minimum Wage Under the Proposal
May 1, 2015	\$12.25
July 1, 2016	\$13.00
July 1, 2017	\$14.00
July 1, 2018	\$15.00
July 1, 2019 and thereafter	\$15.00 + CPI increase



Additional Provisions

- The legislation establishes a category of "Government Supported Employees", who would have a lower minimum wage. These employees include:
 - Youth under 18 who are employed in a subsidized employment program.
 - Adults over 55 who are employed in a subsidized employment program by a non-profit organization that provides social services to adults over 55. Only a portion of employees in this category who are hired after January 1, 2015 would be eligible for the reduced minimum wage.
 - The minimum wage for Government Supported Employees would begin to increase by CPI as of July 1, 2016, two years earlier than other employees.
- The minimum wage would apply to those employed through the San Francisco In-Home Supportive Services (IHSS) Authority, a public authority that distributes City, State, and Federal funds to provide home care for seniors and the disabled.
- As the City directly and indirectly pays the salary of workers whose pay would be raised by this ordinance, it would have an impact on the City's General Fund. The Controller's Office has estimated this impact at \$12.8 million in FY 2015-16, rising to \$56.3 million in FY 2018-19.



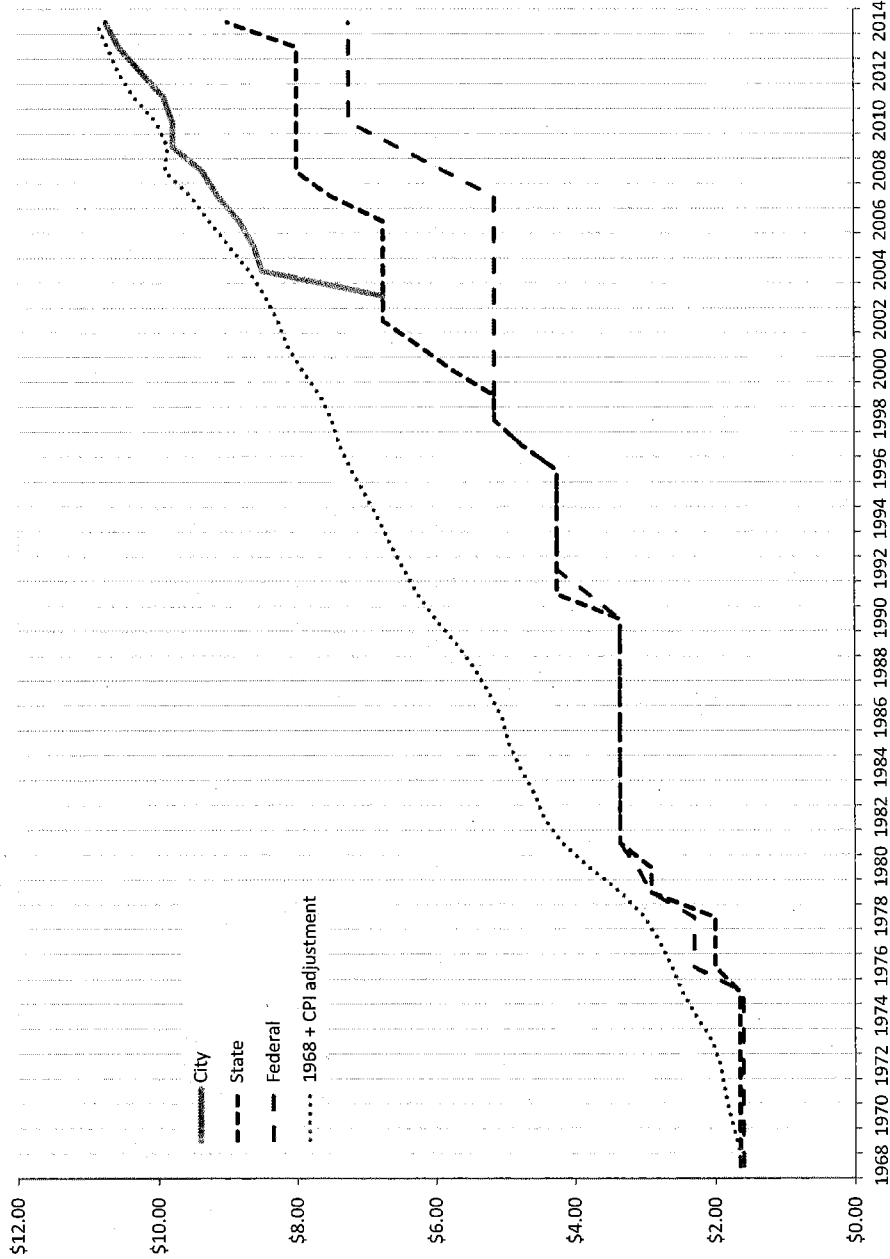
Background: San Francisco's Minimum Wage History

- San Francisco was the first city in the country to establish its own minimum wage, when the voters approved Proposition L in November 2003.
- The minimum wage was set at \$8.50 for 2004, with a one-year delay for small businesses and non-profits.
- At the time, this was the highest minimum wage in the country.
- The legislation also called for annual increases in line with the San Francisco Bay Area's inflation rate.
- The City's current minimum wage, \$10.74 for 2014, remains the highest in the nation.



Federal, State, and City Minimum Wages Since 1968

Historical Minimum Wages, 1968-2014



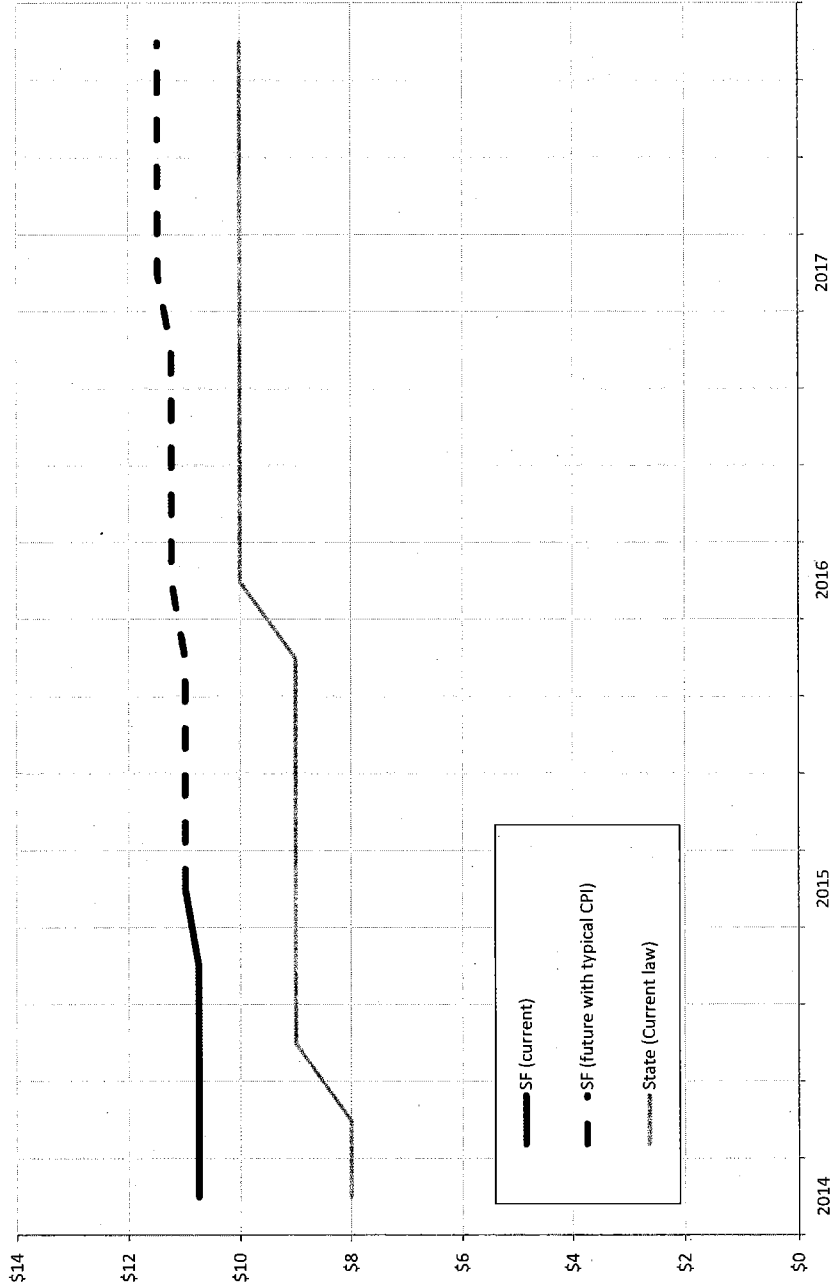
The City's minimum wage instituted in 2004 represented a 26% increase over the State's minimum wage. It was the largest annual increase in the minimum wage since 1956.

Nevertheless, even the City's 2014 minimum wage is below what the 1968 federal minimum wage would have been, had it been indexed to inflation.



In the Next Three Years, the Gap Between the City and State Minimum Wages Will Shrink

Future Minimum Wages under Current City and State Law



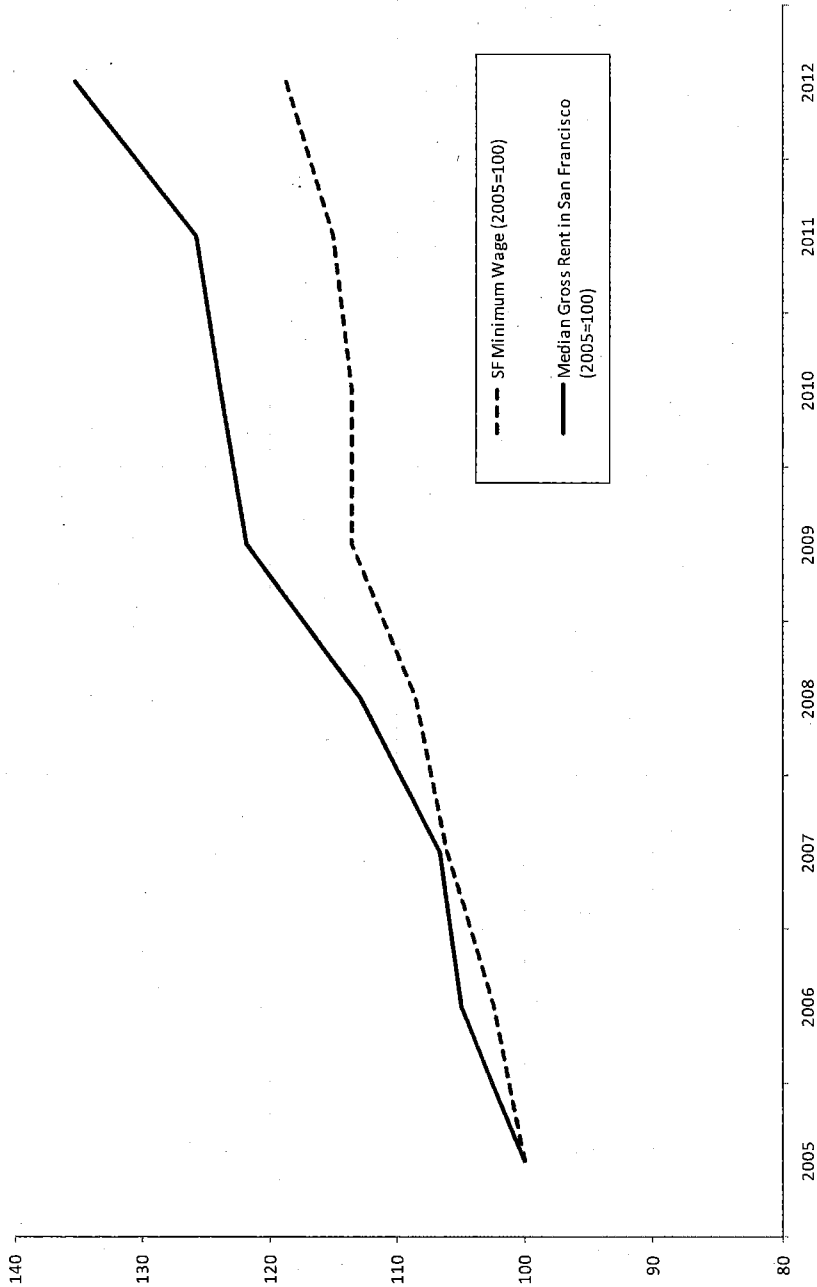
In 2013, the State raised its minimum wage to \$9.00 per hour effective July 1, 2014. The State's minimum wage will rise again to \$10.00 per hour in 2016.

Both increases are higher than a typical CPI adjustment, and will narrow the gap between the City and State minimum wages, absent local action.



Despite Built-In Inflation Adjustments, Median Rents in the City Have Increased at Twice the Rate of the Minimum Wage since 2005

Minimum Wage and Median Rent Paid in San Francisco, 2005-2012



Notwithstanding the built-in CPI increase of the City's current minimum wage, that price index reflects the regional cost of living, not the cost of living within San Francisco.

Rent is a major aspect of the cost of living. Within San Francisco, the median rent paid has increased at twice the rate of the minimum wage, since 2005 (the earliest year for which rent data was available from the Census).



Prevalence of Minimum Wage Work in San Francisco

- The OEA estimates that a maximum of 11% of San Francisco workers, or about 60,000 people, earned the minimum wage in 2013, based on occupational data for the metropolitan division.
- These workers are heavily concentrated in food preparation service and personal service occupations.
- Among the industries that employ significant numbers of minimum wage workers include:
 - Restaurants and bars
 - Retail Trade
 - Manufacturing
 - Personal and Maintenance and Repair Services
- In addition, non-profit organizations employ many minimum wage workers not reflected here, including Government Supported Employees, as defined in the legislation.
- IHSS workers, however, were counted as Private Household workers, a different industry, until 2013, and are not part of this analysis.



Economic Impact Factors

- The proposed legislation can be expected to have two primary effects on San Francisco's economy:
 - To the extent that the higher minimum wage raises the income of workers who reside in San Francisco, it will raise consumer incomes, spending, and employment associated with consumer spending. This will tend to expand the city's economy.
 - To the extent that higher minimum wage raises labor costs, it will create a disincentive to hire employees and would lead to reduced employment within the city. This will tend to contract the city's economy.
 - The net economic impact will depend on the relative strength of these two effects.



**Employment Impacts:
San Francisco's 2003-4 Experience**

- In 2003, the minimum wage instituted by Proposition L represented a 26% increase over the State minimum wage.
- In terms of employment loss, some of the low-wage industries in the city, such as retail trade and restaurants, declined more slowly than the city as a whole in 2004, or actually added jobs, despite the minimum wage increase.
- A clearer understanding of the effect of the minimum wage increase on employment requires an adjustment for industry-specific and city-specific economic factors at the time.
- The table on the next page indicates employment change in low-wage industries in the city, net of the effects of tourism and the overall city economy, and compares it to the same industries in surrounding counties.



Gross and Net Employment Change in Low Wage Industries in San Francisco and Surrounding Counties, 2003-4

Industry	Industry Job Change, 2003-4		Total Job Change, 2003-4		Net Industry Change	
	City	Adjacent Counties	City	Adjacent Counties	City	Adjacent Counties
Food Services	0.5%	2.0%	-2.3%	-0.2%	2.8%	2.2%
Retail Trade	-0.9%	-0.9%	-2.3%	-0.2%	1.4%	-0.6%
Social Assistance	1.0%	-2.0%	-2.3%	-0.2%	3.3%	-1.8%
Personal Services	0.1%	-1.1%	-2.3%	-0.2%	2.4%	-0.9%
Manufacturing	-8.5%	0.6%	-2.3%	-0.2%	-5.2%	0.8%

The early 2000s recession was more strongly felt in San Francisco than in surrounding counties, and the city's economy was still shrinking while the rest of region was bottoming out. The city's weak overall job situation would depress low-wage industries, and needs to be accounted for to provide a fair comparison.

To some extent, the city's relative strength in restaurants and retail trade can be explained by an early recovery in tourism, as most of the area's hotels and tourism spending occurs in San Francisco.

It is clear, however, that the city did not experience across-the-board employment declines in low-wage industries. Only the city's manufacturing industry grew at a slower rate than its regional counterpart.



Wage Impacts: San Francisco's 2003-4 Experience

- While the statistics suggest that San Francisco's low-wage industries certainly grew no slower than the surrounding region after the city's minimum wage was enacted, the extent to which the policy actually raised earnings, and labor costs, also needs to be established.
- In 2003, the average worker in the city's restaurant industry earned \$353 a week, and worked 36.4 hours, for an average hourly wage of \$9.70.
- This wage was 43% higher than the state minimum wage of \$6.75. This market wage was most likely higher than the minimum wage because of the high cost of living in San Francisco.
- Since food services is the lowest paying industry in the city, it raises the question of the extent to which the 2004 minimum wage actually raised wages.
- The table on the next page indicates changes in average weekly wages in low-wage industries in San Francisco, relative to the city as a whole and compared to the surrounding region.



Gross and Net Changes in Wages in Low Wage Industries in San Francisco and Surrounding Counties, 2003-4

Industry	Industry Wage Change, 2003-4		Total Private Sector Wage Change, 2003-4		Net Wage Change	
	City	Adjacent Counties	City	Adjacent Counties	City	Adjacent Counties
Food Services	5.4%	3.9%	7.1%	5.7%	-1.8%	-1.7%
Retail Trade	3.1%	1.3%	7.1%	5.7%	-4.0%	-4.3%
Social Assistance	0.0%	3.8%	7.1%	5.7%	-7.1%	-1.6%
Personal Services	4.4%	3.2%	7.1%	5.7%	-2.7%	-2.5%
Manufacturing	-0.1%	0.3%	7.1%	5.7%	-7.3%	-5.4%

Although 2004 was a weak year for employment growth in the city, average earnings in the private sector grew rapidly. And, as the Net Wage Change column suggests, this average increase was not due to the minimum wage, because low-wage industries had *lower* wage increases.



Conclusions from San Francisco's 2003-4 Experience

- The data is fairly conclusive that there was little to no negative employment effect associated with the introduction of the City's minimum wage in 2004.
- The data is also clear, however, in showing that the increase in the city's minimum wage did not lead to significant increases in average earnings in low-wage industries.
- On the contrary, these five industries had lower-than-average wage increases in 2004, supporting the contention that the minimum wage increase in 2004 was too modest to meaningfully raise wages, or raise labor costs to the point where affected businesses reduced their level of employment.
- As of 2013, the latest data available, the average hourly wage in the food services industry is between \$13.10 and \$13.80 and hour. The proposed minimum wage would pass this level by 2017, and therefore it should be expected to have a much more powerful impact on wages, and employment, than the 2003 increase had.
- The 2003-4 experience may therefore be of little value in considering the economic impact of an increase in the minimum wage to \$15 per hour by 2018.



Modeling the Relationship Between Minimum Wage and Average Industry Wage

- An increase to the minimum wage will affect the San Francisco economy to the extent that it increases average earnings, which raises worker incomes and the labor costs of businesses.
- In practice, a minimum wage increase could raise average wages both because minimum-wage workers were required to be paid a higher wage, and because businesses elected to raise the wage of higher-paid workers: the so-called "compression effect".
- The OEA created statistical models to estimate the relationship between the minimum wage and the average weekly wage of each industry. A different model was estimated for each of the five low-wage industries discussed on pages 11-14, using quarterly wage data from the BLS for every county in California, from 1990 to 2012.
- The models were designed to reflect the fact that a minimum wage increase may have a larger impact on average wages when the minimum wage is already close to the average wage, and less of an impact when it is far below the average wage. In other words, the relationship could be non-linear.
- Using these models, and current wage levels, we predicted how average wages in each low-wage industry may change along with the minimum wage.



Annual Increases in the Proposed Minimum Wage, and Projected Average Annual Wage Increases by Industry, 2015-18

	2015	2016	2017	2018	2019	2014-19 combined
Minimum Wage*	10.1%	6.7%	6.9%	7.4%	4.6%	28%
Food Services	8.7%	6.0%	6.4%	7.0%	4.5%	26%
Retail Trade	7.3%	5.0%	5.2%	5.7%	3.6%	21%
Social Assistance**	8.8%	5.5%	5.1%	5.5%	3.7%	21%
Personal Services	8.0%	5.4%	5.6%	6.1%	3.9%	23%
Manufacturing	2.8%	2.9%	3.0%	3.1%	3.1%	13%

* Calendar year averages, excluding Government Sponsored Employees. For 2019, a CPI adjustment of 2.3% is assumed.

** Assumes 25% of social assistance employees are Government Sponsored Employees.



Wage Impact Assessment

- Given known current employment and wage levels in the affected industries, it is possible to estimate the increased earnings that an average San Francisco employee in the affected industries could receive by 2019:
 - Food services industry: additional \$125 per week.
 - Retail trade industry: additional \$185 per week.
 - Social assistance industry: additional \$75 per week.
 - Personal services industry: additional \$135 per week.
 - Manufacturing industry : additional \$197 per week
- These estimates reflect expected inflation, as well as the direct and indirect effects of raising the minimum wage.



Employment Impact Assessment

- The OEA used its REMI model of the San Francisco economy to estimate the impact of the average wage increases detailed on the previous page, over and above expected wage increases in a baseline projection.
- As discussed earlier, wage increases caused by the proposed legislation will tend to expand the city's economy to the extent that it increases the spending power of low-wage workers who reside in the city, and contract the city's economy to the extent it leads businesses to reduce employment levels.
- Based on the REMI simulation, the proposed legislation is estimated to reduce the city's employment by approximately 15,270 private sector jobs by 2019, compared to REMI's baseline projection for that year. This represents approximately 2% of private employment in the city.
- These employment reductions are distributed across the city's economy, but food services and retail trade account for nearly half of the total.
- The relevance of this employment effect, in terms of job opportunities for city residents, depends upon the city's level of continuing employment growth over the next five years, which is considered on the next page.



Employment Impact in the Context of Projected Employment Growth

- The OEA generally relies upon three different sources for future projections of industry employment: the Employment Development Department (EDD), Moody's Analytics, and the REMI baseline projection.
- While none of the three sources anticipate a recession in the 2015-19 period, they differ in their projected job growth rate, leading to projections of overall employment growth in the city ranging from 27,000 to 59,000 additional jobs.
- The employment effect described on the previous page, therefore, represents 25-55% of the jobs the City can expect to add during the next five years, if these projections are accurate.
- Under the least optimistic projection, with the proposed minimum wage increase, the city's private sector employment would still increase by 12,000 by 2019.
- Moreover, although the employment affect is concentrated in the affected industries, all three projection sources see continued growth in the food services and social assistance industries, and no impact on manufacturing.
- Projections regarding retail trade and personal services differ greatly, with Moody's and REMI projecting flat or declining employment in these industries, regardless of any change to the minimum wage. EDD, on the other hand, projects a continuation of the healthy growth of those industries in the city, at a rate which could absorb the projected employment effect of a higher minimum wage.



Conclusions and Potential Mitigations

- The OEA's analysis of the proposed increase to the minimum wage finds that it would effectively trade off future employment growth for higher wages for workers in low wage industries.
- Workers in low-wage industries in San Francisco would likely see their pay increase by an average of over 20%.
- On the other hand, this analysis suggests that the employment effect would be notable, equaling over 15,000 private sector jobs, or 2% of private employment in the city.
- If employment in the city continues to grow at its current robust rate through 2019, as our independent projections now expect, then the city overall, and most affected industries, would continue to expand employment.
- If, however, the city experienced a recession between now and 2019, then the higher labor costs associated with the higher minimum wage would likely deepen the job losses.
- The City may wish to consider adding flexibility to the proposal in the event of a recession during the 2015-19 period.



Staff Contacts

- Ted Egan, Ph.D., Chief Economist ted.egan@sfgov.org
- Asim Khan, Ph.D., Principal Economist asim.khan@sfgov.org





CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

July 16, 2014

Ms. Angela Calvillo
Clerk of the Board of Supervisors
1 Dr. Carlton B. Goodlett Place Room 244
San Francisco, CA 94102-4689

RE: File 140687 – Motion regarding minimum wage ordinance to be submitted to the voters

Dear Ms. Calvillo,

Should the proposed motion be submitted and the ordinance placed on the ballot and approved by the voters, in my opinion, it would have a significant impact on the cost of government.

The ordinance increases the City's minimum wage to \$12.25 per hour in 2015 and requires specified annual increases until reaching a \$15 per hour rate by 2018. Annual cost-of-living increases would then apply for years after 2018. The measure would apply to both private and public employers in the City, with narrow exceptions outlined in the ordinance.

The Controller's Office estimates that the ordinance will increase City government costs by approximately \$12.8 million in fiscal year (FY) 2015-16, \$23.9 million in FY 2016-17, \$39.4 million in FY 2017-18 and \$56.3 million in FY 2018-19, with cost increases continuing at the rate of the Consumer Price Index thereafter. The majority of these costs are attributable to higher wages required for non-profit social services organizations that contract with the City. These costs may be reduced in future years if the State determines that some of these costs are reimbursable under State guidelines.

This statement does not address the impact of the proposed ordinance on the private economy. The Controller's Office of Economic Analysis will provide an analysis and report on the measure's overall economic impact to the Board of Supervisors.

Sincerely,

Ben Rosenfield
Ben Rosenfield
Controller

Note: This analysis reflects our understanding of the proposal as of the date shown. At times further information is provided to us which may result in revisions being made to this analysis before the final Controller's statement appears in the Voter Information Pamphlet.

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

June 17, 2014

File No. 140687

Sarah Jones
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Dear Ms. Jones:

On June 10, 2014, Mayor Lee introduced the following proposed Initiative Ordinance for the November 4, 2014 Election:

File No. 140687 Initiative Ordinance - Administrative Code - Minimum Wage

Motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the Minimum Wage Ordinance at an election to be held on November 4, 2014.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

Alisa Miller

By: Alisa Miller, Committee Clerk
Rules Committee

Attachment

c: John Rahaim, Director, Planning Department
AnMarie Rodgers, Planning Department
Aaron Starr, Planning Department
Joy Navarrete, Environmental Planner
Jeanie Poling, Environmental Planner

*Not defined as a project
under CEQA Sections
15378 and 15060(c)(2)
because it does not result in
a physical change in the
environment.*
J. Navarrete 6/20/14
JOY NAVARRETE

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Youth Commission
FROM: Alisa Miller, Clerk, Rules Committee
Board of Supervisors
DATE: June 25, 2014
SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Rules Committee

The Board of Supervisors' Rules Committee has received the following proposed Initiative Ordinance for the November 4, 2014, Election, which is being referred to the Youth Commission, per Charter Section 4.124, for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 140687

Motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the Minimum Wage Ordinance at an election to be held on November 4, 2014.

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM YOUTH COMMISSION Date: July 7th, 2014

No Comment
 Recommendation Attached

Nicholas Perdy

Chairperson, Youth Commission

Youth Commission
City Hall ~ Room 345
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4532



(415) 554-6446
(415) 554-6140 FAX
www.sfgov.org/youth_commission

YOUTH COMMISSION MEMORANDUM

TO: Alisa Miller, Clerk, Rules Committee
FROM: Youth Commission
DATE: Monday, July 7th, 2014
RE: Referral response to BOS File No. 140687

At our regular meeting of **Monday, July 7th, 2014** the Youth Commission voted to support the following motion:

To support BOS File No. 140687, Initiative Ordinance – Administrative Code – Minimum Wage Motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by an annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the Minimum Wage Ordinance at an election to be held on November 4, 2014.

Youth Commissioners voted unanimously on Monday, July 7th to support the proposed increase to the minimum wage in San Francisco. However, the Youth Commission wanted to include the discussion on two various perspectives specifically regarding the youth training wage:

- Most commissioners acknowledged and agreed that the youth training wage set specifically for city subsidized youth employment programs would help retain the number of job slots available for youth interested in applying.
- A couple commissioners felt that it is unfair and discriminatory to pay youth in employment programs less than the minimum wage. "Receiving a lower wage based on the year you were born rather than on your hard work, performance, or desire to pursue a healthy successful lifestyle sends a message that you or your efforts are not worth the legal minimums set for the rest of the city."

The Youth Commission submits their unanimous support for the Minimum Wage legislation, and the above comments to the Mayor and the Board of Supervisors. Please inform us of forward movement on any details about this item.

If you have any questions about these recommendations or anything related to the Youth Commission, please don't hesitate to contact our office at (415) 554-6446 or your Youth Commissioner.



Chair, Nicholas Persky
Adopted on July 7th, 2014
2013-2014 San Francisco Youth Commission



SMALL BUSINESS COMMISSION
OFFICE OF SMALL BUSINESS



CITY AND COUNTY OF SAN FRANCISCO
EDWIN M. LEE, MAYOR

July 16, 2014

David, Chiu, President,
Board of Supervisors
City Hall Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Subj: BOS File No: 140687 - Initiative Ordinance - Administrative Code - Minimum Wage

Small Business Commission Recommendation: **Commission Took No Action**

Dear President Chiu:

At its meeting of July 14, 2014, the Small Business Commission heard Board of Supervisors (BOS) File No. 140687. The Small Business Commission unanimously voted to take no action on BOS File No: 140687 - Initiative Ordinance - Administrative Code - Minimum Wage.

The Small Business Commission extends its appreciation to Mayor Lee for his early engagement and genuine interest to hear and understand the economic implications of a minimum wage increase to small business (under 100 employees). The Small Business Commission also expressed their appreciation to Jason Elliot for the great job he did in staffing the Mayor on this matter and his continued engagement with the small business community during deliberations.

The Small Business Commission thanks Mayor Lee for supporting the Small Business Commission's recommendation to track the job and economic outcomes should the ballot measure pass. Not only is it important to have true and reliable San Francisco based data to stay abreast of the real-time outcomes. It is the smart and fiscally responsible thing to do since we now have seen history repeat itself since the first ballot measure in 2004, and data will be needed should any future revisions be necessitated.

The vast majority of hourly wage positions are in consumer base businesses. Therefore the success with the minimum wage ballot measure is not in its passage; success is not in business paying the higher wages; success can only be achieved through the consumer. San Franciscan's will need to truly value hourly wage employees being paid the highest minimum wage in country. They need to be willing to pay for it with the increase in the cost of goods and services small businesses will have to charge as a result of such a wage increase. Success will be dependent on San Franciscans not purchasing lower cost products from entities such as Amazon Fresh, or businesses who can offer lower priced goods and services because they can offset their true cost of doing businesses in San Francisco through lower wages paid elsewhere in country. Success will come when the Budget Analyst does not use such entities as OfficeMax.com to conduct their cost comparison analysis but instead use San Francisco based businesses such as Patrick and Company.

SUBJ: **BOS File No: 140687 - Initiative Ordinance - Administrative Code - Minimum Wage**
(7/17/2014)

Success can come with the Board of Supervisors championing Buy Local to the same degree it champions Transit First and Zero Waste. The Small Business Commission thanks Mayor Lee for understanding the importance to champion a Buy Local program in budgeting seed money in the 14/15 budget. The Small Business Commission also thanks the Board of Supervisor's for approving it. It is encouraged that the Board of Supervisors take the opportunity to continue its commitment to the hourly wage worker in matching the Mayor's funding. The Small Business Commission look forward to working with each Supervisor to develop a City wide program and assist each Supervisor and their office to incorporate a "Buy Local, Do Business with San Francisco First" message into their daily duties and actions.

Sincerely,



Regina Dick-Endrizzi
Director, Office of Small Business

cc: Jason Elliot, Mayor's Office
Jane Kim, Board of Supervisor
Ms. Angela Calvillo, Clerk of the Board
Todd Rufo, Director, Office of Economic and Workforce Development

To:
Subject:

Miller, Alisa

File 140687: REPORT ISSUED: Economic Impact on the Proposed Ballot Measure to Raise the Minimum Wage in San Francisco

From: Reports, Controller (CON) [<mailto:controller.reports@sfgov.org>]

Sent: Thursday, July 17, 2014 1:34 PM

To: Calvillo, Angela (BOS); BOS-Supervisors; BOS-Legislative Aides; Kawa, Steve (MYR); Howard, Kate (MYR); Falvey, Christine (MYR); Tsang, Francis; Elliott, Jason (MYR); Steeves, Asja (CON); Campbell, Severin (BUD); Newman, Debra (BUD); Rose, Harvey (BUD); SF Docs (LIB); gmetcalf@spur.org; bob@sfchamber.com; jballesteros@sanfrancisco.travel; Rosenfield, Ben (CON); Zmuda, Monique (CON); Lane, Maura

Subject: REPORT ISSUED: Economic Impact on the Proposed Ballot Measure to Raise the Minimum Wage in San Francisco

The Controller's Office of Economic Analysis (OEA) has today issued an economic impact report on the proposed ballot measure to raise the minimum wage in San Francisco. Under the proposal, the minimum wage, which is currently \$10.74, would rise in increments to \$15.00 an hour by 2018. After that point, it would be adjusted for inflation on an annual basis.

Minimum wage increases have often been viewed as a trade-off between higher wages for lower-paid workers on one hand, and job losses or slower rates of job growth on the other. The City experienced a large increase in the minimum wage in 2004, but the job losses that some expected did not materialize. Some low-wage industries, such as restaurants, actually grew more rapidly in San Francisco than in surrounding counties, after the city raised its minimum wage in 2004.

However, the OEA's research suggests that this could be because the previous minimum wage, established in Sacramento and applicable to the entire state, was so much less than what workers in San Francisco were already earning, that a large increase in the minimum wage had relatively little effect on average earnings in low-wage industries.

The present situation is different. The OEA believes that, given what low-wage workers currently make, the proposal would both markedly increase employee earnings and consumer spending in the city, as well as raising labor costs for businesses, discouraging job creation. The report projects that, if the proposal was adopted, the city would have 15,270 fewer jobs in 2019 than it otherwise would, representing about 2% of private employment in the city in that year. These employment impacts are concentrated in two of the largest low-wage industries in the city, restaurants and food services.

A critical question is whether the city's current robust rate of economic growth will be enough to sustain continued job creation during the 2015-19 period if the minimum wage is raised to \$15 per hour. Three independent employment projections indicate the city will add between 27,000 and 56,000 new jobs between 2014 and 2015, a number substantially larger than the employment impact of the proposed legislation. Even the least optimistic projection anticipates that the city would continue to add jobs if the proposal was adopted.

However, if the city experiences a recession between now and 2019, the proposed legislation would be mandating minimum wage increases while employers were reducing, not increasing, employment. The City may wish to add flexibility to the proposal in the event of changed economic conditions between now and 2019.

To view the whole report visit <http://openbook.sfgov.org/webreports/details3.aspx?id=1771>

140687



July 17, 2014

Honorable David Chiu
President of the Board
San Francisco Board of Supervisors
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

Re: Minimum Wage

Dear President Chiu and Members of the Board of Supervisors:

The California Restaurant Association is the definitive voice of the food service industry in California and is the oldest restaurant trade association in the nation. On behalf of our members in the City and County of San Francisco, we want to take this opportunity to thank Mayor Lee, Supervisor Kim and yourself for your leadership on the issue of the minimum wage and for inviting the California Restaurant Association (CRA) to be part of the Minimum Wage Working Group. This issue is one of great interest to our members and one that will have a significant impact on restaurants. **On behalf of our restaurant members, we submit this letter expressing our concerns with the proposed Minimum Wage Ordinance ballot measure.**

The restaurant industry is one that most competitive business industries with a razor-thin profit margin. According to a recent report by the National Restaurant Association and Deloitte & Touche LLP, the median income of total sales in operations before taxes for full-service restaurants was slightly over four percent and for limited-service restaurants was 6.3 percent. That means that for every dollar a restaurant makes in sales they keep less than six cents. Research has shown that 25 percent of restaurants close or change ownership in their first year. Furthermore, over a three-year period that number increases to three in five. With a tight profit margin such as this, any additional increase to the minimum wage increase will make it very challenging for a business to succeed.

Minimum wage increases often have a perverse effect on the restaurant industry, as the wage increase typically benefits tipped employees who earn the most. A minimum wage increase will ultimately hurt those it intends to help: hardworking non-tipped employees who are paid an hourly wage greater than the minimum wage, but still at the lower end of the pay scale. The added cost pressure from the mandatory annual wage increase for the employees already earning the most takes the finite labor dollars an operator may have and reduces, if not eliminates, their ability to provide hourly employees with a wage increase.

An additional increase to the minimum wage forces restaurants and other small businesses to make unfortunate operational decisions to meet the increased labor costs. Restaurants have no choice but to adjust their business plans and budgets, which may mean forgoing expansion and/or reducing hours and opportunities for employees. Furthermore, this increased cost of doing business could discourage new businesses from locating in San Francisco, existing businesses may consider closing/relocating outside the city, or existing businesses may be forced to purchase their commodities at a lower cost from suppliers located outside the city limits.

A super minimum wage increase does not only raise the wages for employees earning minimum wage. It forces employers to increase the wages of all employees, upward and across the board to avoid wage compression. It may sound like a good idea to increase the wages upward and across the board for those that do not have to worry about profits and losses, but the effect for a business translates into either increasing productivity or reducing staff levels to offset the cost increase. In a situation where you have maximized your productivity, especially during a downward or economic recovery period, the only options for a restaurant operator are to reduce staff levels or cut staff hours.

The minimum wage will not only increase hourly employees' wages, but also other employer costs as well. The annual wage increase could also result in a corresponding annual increases associated with payroll taxes and temporary/permanent disability benefits paid out to employees through Workers' compensation. These cost increases to insurance carriers will likely be passed onto employers through an increase in premiums. Finally, minimum wage is the base hourly wage rate paid and will drive up future negotiations regarding wage rates, especially for collective bargaining agreements.

Indexing puts the minimum wage on autopilot and can be disastrous. By tying future increases to the minimum wage using a single economic factor, inflation, and ignoring other factors such as the strength of the job market, indexing will inevitably result in increases at times when the economy is ill suited to absorb new cost pressures.

The minimum wage rate in San Francisco is currently \$10.74 per hour, but that does not take into account other costs associated with being an employer in San Francisco. For example, it does not factor in the costs associated with the Paid Sick Leave Ordinance and the Health Care Security Ordinance mandates. An employee's total compensation/earnings in San Francisco far exceeds the value of the \$10.74 per hour. The costs associated with these mandates that employers must provide have a significant cost impact to businesses.

We strongly encourage the Board of Supervisors consider the minimum wage issue in a holistic approach and that it presents a proposal that strikes the right balance that will not be punitive and detrimental to businesses and its employees. Below are some points that we respectfully request that you consider incorporating into the ballot measure:

- Gradual increases that are phased in over a period of time not tied to a single economic indicator (inflation) that puts future minimum wage increase on autopilot without



regard to the strength of the economy and job market.

- Tipped employees with reported pay period wages, including gratuities, equal or greater than the applicable rate in the 2014 Minimum Wage Ordinance; trainees/summer hires, employees in non-profit youth and senior employment programs should be exempted.
- Employers should be able to deduct from any minimum wage an amount equal to spending actually made on behalf an employee for health insurance or medical care reimbursement.
- Extend the Net New Payroll Exclusion Ordinance for small businesses.

Thank you for your attention and consideration. Should you have any questions, please contact me at 408.416.6344 or jgonzalez@calrest.org.

Sincerely,



Javier M. González
Director, Government Affairs + Public Policy

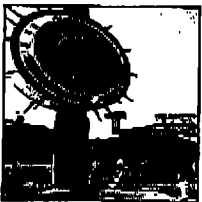




SF Bar Owner Alliance



CAL Insurance & Associates



West Portal Avenue Association



Hispanic Chamber of Commerce of San Francisco
Chambre de Commerce Hispanique de San Francisco



NO MATTER HOW ASSOCIATED, LLC



July 1, 2014

The Honorable David Chiu
President, Board of Supervisors
City Hall, City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102

Re: Minimum Wage Ballot Measure

Dear Supervisor Chiu:

We appreciate all the hard work accomplished by the Mayor, members of the Board of Supervisors, city staff, non-profit leaders, labor and businesses to seek consensus around one minimum wage ordinance for this November's ballot. We recognize that adjustments need to be made to the City's minimum wage ordinance. At the same time, we hope that you and your fellow Board members recognize that not only have housing costs increased significantly, but commercial rents, wage and benefit costs, fees and cost of products and services have all increased for employers as the city rebounded out of the Great Recession.

The business community is unified on this simple premise: to both retain and grow employment any minimum wage increase must be moderate, predictable and tied to the economy's ability to absorb increased expenses, whether incurred by employers or customers. While some seem to believe a fast ramp-up to a \$15 minimum wage will have little or no impact on job growth, recent history proves otherwise.

In 2000 our economy peaked at 600,000 jobs and a 3.5% unemployment rate with a city population of 777,000. With the dot-com bust and the loss of tourism after 9/11, employment in 2004 fell to 506,000 jobs with an unemployment rate of 6%. While the economy rebounded in 2007 to 543,000 jobs and 4% unemployment, the local economy remained 57,000 jobs short of the 2000 level. And during the depths of the Great Recession, with the city's population growing to 805,000, jobs fell to 523,000 and 10% of the workforce was unemployed.

Why? Perhaps because during that period the city enacted the highest minimum wage in the country, a health care spending requirement and a sick leave mandate, all significantly adding to the cost of hiring. In fact, between 2004 and today the cost of hiring an entry level worker in San Francisco increased 60%.

It took some years, but today our economy can support these costs. We have 600,000 jobs, less than 5% unemployment and a record population of over 825,000. But, if we are not careful about layering new costs on employers, the same slow or negative job growth we experienced a few years ago could result in far fewer new jobs than we would otherwise expect.

Last month we provided the Mayor, and those at the table negotiating an alternative to SEIU 1021's minimum wage ballot measure, provisions that would improve wages while encouraging continued job growth. We felt they were the basis for the development of an economically viable minimum wage ballot measure that phases in higher wage rates in the context of total compensation costs to employers and would gain broad business community support. Included was a slower ramp up in hourly rates, a pause in CPI increases during periods of economic downturn, a wage rate differential for tipped employees and those in youth and senior trainee and summer hire programs, partial off-set for health care costs and an extension of the small business Net New Payroll Exclusion Ordinance.

Our purpose in providing the recommendations was to strengthen the proposal so that the city's economy, and therefore its residents, would not be harmed by provisions that did not reflect the everyday reality of people who work to make business succeed.

The key points we would like to see the Board of Supervisors amend into the pending measure are;

- 1) For employers with fewer than 100 Full Time Equivalent employees, the January 1, 2015 rate shall be \$11.00. The hourly rate will increase \$1.00 an hour in July 2016 and each July thereafter until July 2019 when this small business rate shall expire and the standard hourly wage rate set by the terms of this ballot measure shall apply.
- 2) The "Government Supported Employee" rate shall be applicable to all employers filling temporary after-school, summer or trainee positions with youth or young adults under the age of 25, provided that this rate may not be paid to an individual for more than 120 days in any one calendar year.
- 3) On or before March 1 of any year, if the Controller finds that the unemployment rate in the City and County on December 31 of the prior year had increased year-to-year by more than 50%, the required July 1 minimum wage adjustment shall be suspended.

Small businesses especially require consideration so that an increase in wages can be absorbed without a drastic increase in prices. Youth should not be denied access to jobs because of City policy. Inevitably, we will experience another recession. Jobs will be lost. City policy should not be a cause for more jobs to be lost than would be otherwise.

We look forward to working with the Board of Supervisors to make these few narrowly focused amendments to the minimum wage ballot measure, incorporating provisions which

balance the needs of employers and employees, and protects the strong economic growth we have seen in recent years.

Sincerely,

Leslie Milloy
Small Business Network

Henry Karnilowicz
Council of District Merchants

Ben Bleiman
SF Bar Owner Alliance

Gwyneth Borden
Golden Gate Restaurant Association

Scott Hauge
Cal-Insurance and Associates

Fisherman's Wharf Merchants Association

Maryo Mogannam
West Portal Avenue Association

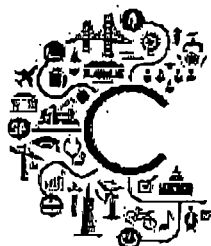
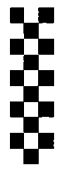
Carlos Solorzano
Hispanic Chambers of Commerce

Kevin Carroll
Hotel Council

Steve Mayer
Steve Mayer and Associates

Bob Linscheid
San Francisco Chamber of Commerce

cc. Mayor Ed Lee, Clerk of the Board for Distribution to the Board of Supervisors



SAN FRANCISCO CHAMBER OF COMMERCE

Our City. Your Business.

BOS-11
CPAGE

File 140687

Rules
Clerk

FACSIMILE TRANSMITTAL SHEET

TO: Clerk of the Board FROM: _____

COMPANY: _____ PHONE: _____

FAX NUMBER: _____ DATE: _____

PHONE NUMBER: _____ TOTAL NO. OF PAGES INCLUDING COVER: _____

RE: _____

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

Please find an updated letter attached
for distribution to all Supervisors.
Additional signers added.

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Youth Commission

FROM: Alisa Miller, Clerk, Rules Committee
Board of Supervisors

DATE: June 25, 2014

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Rules Committee

The Board of Supervisors' Rules Committee has received the following proposed Initiative Ordinance for the November 4, 2014, Election, which is being referred to the Youth Commission, per Charter Section 4.124, for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 140687

Motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the Minimum Wage Ordinance at an election to be held on November 4, 2014.

Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM YOUTH COMMISSION

Date: _____

No Comment

Recommendation Attached

Chairperson, Youth Commission

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Ben Rosenfield, City Controller

FROM: Alisa Miller, Clerk, Rules Committee
Board of Supervisors

DATE: June 12, 2014

SUBJECT: INITIATIVE ORDINANCE INTRODUCED
November 4, 2014 Election

The Board of Supervisors' Rules Committee has received the following Initiative Ordinance for the November 4, 2014 Election, introduced by Mayor Lee on June 10, 2014. This matter is being referred to you in accordance with Elections Code, Section 305(B)(2) and Rules of Order 2.22.3.

File No. 140687 Initiative Ordinance - Administrative Code - Minimum Wage

Motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the Minimum Wage Ordinance at an election to be held on November 4, 2014.

Please review immediately and prepare a financial analysis of the proposed measure prior to the first Rules Committee hearing.

If you have any questions or concerns please call me at (415) 554-4447 or email: alisa.miller@sfgov.org. To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Monique Zmuda, Office of the City Controller
Peg Stevenson, Office of the City Controller

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

June 17, 2014

File No. 140687

Sarah Jones
Environmental Review Officer
Planning Department
1650 Mission Street, 4th Floor
San Francisco, CA 94103

Dear Ms. Jones:

On June 10, 2014, Mayor Lee introduced the following proposed Initiative Ordinance for the November 4, 2014 Election:

File No. 140687 Initiative Ordinance - Administrative Code - Minimum Wage

Motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the Minimum Wage Ordinance at an election to be held on November 4, 2014.

This legislation is being transmitted to you for environmental review.

Angela Calvillo, Clerk of the Board

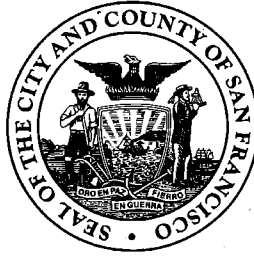
A handwritten signature in cursive script that reads "Alisa Miller".

By: Alisa Miller, Committee Clerk
Rules Committee

Attachment

c: John Rahaim, Director, Planning Department
AnMarie Rodgers, Planning Department
Aaron Starr, Planning Department
Joy Navarrete, Environmental Planner
Jeanie Poling, Environmental Planner

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Regina Dick-Endrizzi, Director
Christian Murdock, Commission Secretary
Small Business Commission, City Hall, Room 448

FROM: Alisa Miller, Clerk, Rules Committee
Board of Supervisors

DATE: June 12, 2014

SUBJECT: REFERRAL FROM BOARD OF SUPERVISORS
Rules Committee

The Board of Supervisors' Rules Committee has received the following legislation, which is being referred to the Small Business Commission for comment and recommendation. The Commission may provide any response it deems appropriate within 12 days from the date of this referral.

File No. 140687 Initiative Ordinance - Administrative Code - Minimum Wage

Motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the Minimum Wage Ordinance at an election to be held on November 4, 2014.

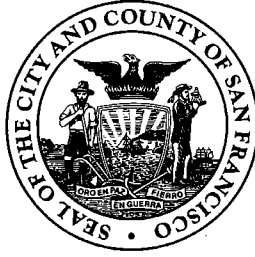
Please return this cover sheet with the Commission's response to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

RESPONSE FROM SMALL BUSINESS COMMISSION - Date: _____

No Comment
 Recommendation Attached

Chairperson, Small Business Commission

BOARD of SUPERVISORS



City Hall
Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Jason Elliott, Mayor's Office
Jon Givner, Office of the City Attorney
Naomi Kelly, City Administrator
John St. Croix, Executive Director, Ethics Commission
John Arntz, Director, Department of Elections
Harvey Rose, Budget and Legislative Analyst
Micki Callahan, Director, Department of Human Resources
Donna Levitt, Office of Labor Standards Enforcement
Todd Rufo, Director, Office of Economic and Workforce Development
Trent Rhorer, Executive Director, Human Services Agency
Kelly Dearman, Executive Director, IHSS Public Authority

FROM: Alisa Miller, Clerk, Rules Committee
Board of Supervisors

DATE: June 12, 2014

SUBJECT: INITIATIVE ORDINANCE INTRODUCED
November 4, 2014 Election

The Board of Supervisors' Rules Committee has received the following Initiative Ordinance for the November 4, 2014 Election, introduced by Mayor Lee on June 10, 2014. This matter is being referred to you in accordance with Rules of Order 2.22.4.

File No. 140687 Initiative Ordinance - Administrative Code - Minimum Wage

Motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the Minimum Wage Ordinance at an election to be held on November 4, 2014.

Please review immediately and submit any reports or comments you wish to be included with the legislative file.

If you have any questions or concerns, please call me at (415) 554-4447 or email: alisa.miller@sfgov.org. To submit documentation, please forward to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

- c: Debra Newman, Office of the Budget and Legislative Analyst
Severin Campbell, Office of the Budget and Legislative Analyst
Gabriela Loeza, Office of the Budget and Legislative Analyst
Martin Gran, Employee Relations Director, Department of Human Resources
Loc Chau, IHSS Public Authority

OFFICE OF THE MAYOR
SAN FRANCISCO



EDWIN M. LEE
MAYOR

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: *EC* Mayor Edwin M. Lee *EL*
RE: Initiative Ordinance - Administrative Code - Minimum Wage
DATE: June 10, 2014

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

JUN 10 PM 3:25

Attached for introduction to the Board of Supervisors is the motion ordering submitted to the voters an ordinance amending the Administrative Code to increase the minimum wage for employees in San Francisco to \$12.25 per hour on May 1, 2015, with annual increases, reaching \$15.00 per hour in 2018, followed thereafter by annual cost-of-living increases; following 2015, provide only for annual cost-of-living increases in the minimum wage for two narrow categories of employees; and include the City government and In-Home Supportive Services Public Authority as employers subject to the minimum wage ordinance, at an election to be held on November 4, 2014.

Please note this item is cosponsored by Supervisors Kim, Chiu, Farrell, Breed, Yee, Wiener, Campos, Cohen, Tang, and Mar.

Should you have any questions, please contact Jason Elliott (415) 554-5105.