

File No. 170297

Committee Item No. 13
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS
AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date September 13, 2018

Board of Supervisors Meeting

Date _____

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Completed by: Linda Wong Date September 7, 2018
Completed by: Linda Wong Date _____

1 [Administrative Code - Increasing the Minimum Compensation Hourly Rate]

2
3 **Ordinance amending the Administrative Code to increase the minimum hourly**
4 **compensation rate for employees of City contractors other than nonprofit corporations**
5 **or public entities to \$15.86 per hour on July 1, 2017, \$16.86 per hour on July 1, 2018,**
6 **and followed thereafter by annual cost-of-living increases; and to require that City**
7 **contractors pay the minimum hourly compensation rate to employees who perform any**
8 **work funded under an applicable contract with the City.**

9
10 **NOTE:** **Unchanged Code text and uncodified text** are in plain Arial font.
11 **Additions to Codes** are in *single-underline italics Times New Roman font*.
12 **Deletions to Codes** are in ~~*italics Times New Roman font*~~.
13 **Board amendment additions** are in double-underlined Arial font.
14 **Board amendment deletions** are in ~~Arial font~~.
15 **Asterisks (* * * *)** indicate the omission of unchanged Code
16 subsections or parts of tables.

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

18 Section 1. The Administrative Code is hereby amended by revising Sections 12P.2,
19 12P.3, and 12P.4 to read as follows:

20 **SEC 12P.2. DEFINITIONS.**

21 As used in this Chapter the following capitalized terms shall have the following
22 meanings:

23 * * * *

24 (i) "Covered Employee" shall mean:
25

1 (1) An Employee of a Contractor who, during the applicable Pay Period,
2 performs, ~~at least four (4) hours per week~~ during the Pay Period, ~~of any~~ work funded (in whole or
3 in part) under the applicable Contract or on the project funded under the applicable Contract:

4 (A) Within the geographic boundaries of the City;

5 (B) On real property owned or controlled by the City, but outside the
6 geographic boundaries of the City; or

7 (C) Elsewhere in the United States, ~~but only if such related work performed~~
8 ~~elsewhere within the United States consists of at least ten (10) hours per each work week during the~~
9 ~~Pay Period in question.~~

10 (2) Notwithstanding the provisions of subsection (i)(1), for every Contract and
11 Contract Amendment entered into on or after the Effective Date of the Amendment the term
12 "Covered Employee" shall include an Employee of a Contractor who works elsewhere in the
13 United States and who, during the applicable Pay Period, performs ~~at least four (4) hours per~~
14 ~~week of any~~ work funded (in whole or in part) under the applicable Contract or to on the project
15 funded under the applicable Contractor.

16 (3) Employees of the In-Home Supportive Services Public Authority shall be
17 covered employees as designated in Section 70.11 of this Code.

18 (4) Notwithstanding the foregoing, the term "Covered Employee" shall exclude
19 the following Employees of a Contractor that is a Nonprofit Corporation:

20 (A) Any Employee who is under the age of eighteen (18) and is claimed
21 as a dependent for federal income tax purposes and is employed as an after-school or
22 summer Employee; or employed as a trainee in a bona fide training program consistent with
23 Federal law, which training program enables the Employee to advance into a permanent
24 position; provided, however, these exemptions only apply when the Employee does not
25 replace, displace or lower the wage or benefits of any existing position or Employee; and,

1 (B) Any disabled Employee of a Contractor, which disabled Employee: is
2 covered by a current sub-minimum wage certificate issued to the Contractor by the U.S.
3 Department of Labor; or would be covered by such a certificate but for the fact that the
4 Contractor is paying a wage equal to or higher than the minimum wage.

5 (5) For every Contract and Contract Amendment entered into on or after the
6 Effective Date of the Amendment, the term "Covered Employee" shall include an Employee of
7 a Contractor who also participates in the CalWorks Program, or any similar successor
8 program, who during the applicable Pay Period performs any welfare-to-work activities
9 considered "employment" under the Fair Labor Standards Act (29 U.S.C. §§ 201 et. seq.) and
10 any applicable United States Department of Labor regulations or guideline, funded (in whole
11 or in part) under the applicable Contract or on the project funded under the applicable
12 Contract; provided, however, that the hourly rate of payment for these Covered Employees
13 shall be set by the Executive Director of the Department of Human Services at the maximum
14 rate that is in conformance with CalWorks eligibility criteria so that these Covered Employees
15 maintain CalWorks eligibility. Prior to June 1 of each year, the Executive Director shall provide
16 such rate to the Office of Labor Standards Enforcement for publication. This amount shall be
17 adjusted yearly, as necessary, to reflect any changes in federal or state law governing
18 CalWorks eligibility.

19 * * * *

20
21 **SEC 12P.3. MINIMUM COMPENSATION COMPONENTS.**

22 (a) Minimum Compensation shall consist of each of the following:

23 (1) ~~(A) (i) Hourly gross compensation in the amount of nine dollars (\$9.00) per hour.~~
24 ~~(ii) In no less than twelve (12) nor more than eighteen (18) months from the~~
25 ~~Effective Date, the City shall increase the hourly gross compensation to ten dollars (\$10.00) per hour;~~

1 ~~provided, however, that in the case of Nonprofit Corporations and public entities, this adjustment shall~~
2 ~~only be made if the Joint Report issued by the Controller, Mayor's Budget Office, and Budget Analyst,~~
3 ~~pursuant to San Francisco Administrative Code Section 3.6, finds that the City has sufficient funds to~~
4 ~~pay the anticipated costs of the adjustment. A finding of "sufficient funds" shall mean that the City will~~
5 ~~not be required to reduce services in order to pay the anticipated costs of the adjustment.~~

6 ~~_____ (iii) For each of the next three (3) years after the adjustment provided in~~
7 ~~Subsection (a)(ii) is made, at annual intervals, the City shall make an additional adjustment of two and~~
8 ~~one half (2.5) percent.~~

9 ~~(BA) For Contracts and Contract Amendments with parties other than~~
10 ~~Nonprofit Corporations or public entities entered into on or after the Effective Date of the~~
11 ~~Amendment, hourly gross compensation in the amount of ten dollars and seventy seven cents~~
12 ~~(\$10.77) shall be as follows:~~

13 ~~_____ (i) Beginning on July 1, 2017, an hourly gross compensation of \$15.86.~~

14 ~~_____ (ii) Beginning on July 1, 2018, an hourly gross compensation of \$16.86.~~

15 ~~(iii) In order to prevent inflation from eroding the value of this rate,~~
16 ~~on January 1, 2008 July 1, 2019, the ten-dollars and seventy seven cent (\$10.77) rate the hourly gross~~
17 ~~compensation rate shall increase by an amount corresponding to the prior year's increase, if~~
18 ~~any, in the CPI Consumer Price Index. Annually thereafter on the first of January July 1, the~~
19 ~~hourly gross compensation in effect for the prior calendar year shall increase by an amount~~
20 ~~corresponding to any prior year's increase in the CPI Consumer Price Index.~~

21 ~~(CB) (i) For Contracts and Contract Amendments with Nonprofit~~
22 ~~Corporations and public entities entered into on or after the Effective Date of the Amendment,~~
23 ~~hourly gross compensation in the amount of ten dollars and seventy seven cents (\$10.77). It shall be~~
24 ~~the policy of the City to endeavor to maintain the hourly gross compensation for Contracts with~~
25 ~~Nonprofit Corporations and public entities equal to the rate that applies to for-profit Contractors. As~~

1 ~~such, this ten dollars and seventy-seven cent (\$10.77) rate shall increase by an amount corresponding~~
2 ~~to the prior year's increase, if any, in the CPI. These CPI adjustments shall be made on January 1,~~
3 ~~2008 and every January 1 thereafter. Notwithstanding the provisions of this Subsection, when the Joint~~
4 ~~Report shows a projected shortfall, there shall be no automatic CPI increase in hourly gross~~
5 ~~compensation for Nonprofit Corporations and public entities as otherwise provided in this Subsection~~
6 ~~and the Mayor and the Board of Supervisors shall follow the procedures set forth in Subsections (C)(ii)~~
7 ~~and (iii) shall be the Minimum Wage, as set forth in Administrative Code Section 12R.4, as may be~~
8 ~~amended from time to time.~~

9 (ii) YEARS WITH PROJECTED BUDGET SHORTFALL. When submitting the
10 annual proposed budget to the Board of Supervisors for any upcoming fiscal year in which
11 there is a projected shortfall, the Mayor shall transmit a written report to the Clerk and to each
12 member of the Board of Supervisors stating whether the proposed budget contains funding to
13 pay all of the costs of the projected CPI increase for Nonprofit Corporations and public entities
14 for the upcoming fiscal year, as well as for any prior fiscal years for which the Agency has
15 granted a waiver. If the proposed budget does not contain sufficient funding for all of such
16 costs, the report shall state the extent to which any portion of the CPI increase has been
17 funded in the proposed budget and, in addition, shall set forth the basis for the Mayor's
18 determination that no alternative funding sources or prudent reductions in City expenses were
19 available to enable the City to pay the additional costs of the CPI increase for the upcoming
20 fiscal year, and for any prior fiscal years for which the Agency has granted a waiver, without
21 jeopardizing City operations.

22 (iii) When the Mayor has transmitted a report to the members of the Board
23 providing notice that the proposed budget does not contain sufficient funding to pay the
24 additional costs of the CPI increase for the upcoming fiscal year for Nonprofit Corporations
25 and public entities and for any prior fiscal years for which the Agency has granted a waiver,

1 the Budget and Finance Committee of the Board (or any successor committee as determined
2 by the President of the Board) shall hold a hearing before adoption of the budget to consider
3 the report and whether there are alternative funding sources or prudent reductions in City
4 expenses available to enable the City to pay the additional costs of the CPI increase for the
5 upcoming fiscal year, and for any prior fiscal year for which the Agency has granted a waiver,
6 without jeopardizing City operations. The Board may amend the budget to provide full or
7 partial funding for the CPI increase(s).

8 (iv) The hourly gross compensation for Nonprofit Corporations and public
9 entities for the upcoming calendar year following the adoption of the budget shall be the rate
10 required in the current calendar year, plus the amount of any CPI increase provided for in the
11 budget. This rate shall apply notwithstanding the failure of the Mayor to make the report or the
12 Board to conduct the hearing required by Subsection (C)(ii) and (iii). The Agency shall provide
13 notice of the amount of hourly gross compensation for Nonprofit Corporations and public
14 entities on the Agency's website. Except for those years in which the budget has sufficient
15 funds to bring the rate for Nonprofit Corporations and public entities into parity with rate for
16 for-profits, the Agency shall grant a blanket waiver applicable to all contracts with Nonprofit
17 Corporations and public entities, which waiver shall authorize payment under such contract of
18 hourly gross compensation that reflects either no CPI increase or only such increase as is
19 covered by the budget. The Controller's Office shall provide notice to all City departments of
20 the hourly gross compensation for Nonprofit Corporations and public entities as determined by
21 the Agency.

22 (v) Years with no one ~~(1)~~ percent projected budget shortfall. As provided in
23 Subsection (a)(1)(C)(i), the hourly gross compensation for Nonprofit Corporations and public
24 entities shall be adjusted in any year in which there is no projected budget shortfall by an
25 amount corresponding to the prior year's increase, if any, in the CPI. When submitting the

1 annual proposed budget to the Board of Supervisors for any upcoming fiscal year in which
2 there is no projected shortfall but there is disparity between the rate for for-profit entities and
3 for Nonprofit Corporations and public entities, the Mayor shall transmit a written report to the
4 Clerk and to each member of the Board of Supervisors stating whether the proposed budget
5 contains sufficient funding to bring the hourly gross compensation for Nonprofit Corporations
6 and public entities into parity with the amount applicable to for-profit entities under Section
7 (a)(1)(B).

8 (vi) When the Mayor has transmitted a report to the members of the Board
9 providing notice that the proposed budget does not contain sufficient funding to bring the
10 hourly gross compensation for Nonprofit Corporations and public entities into parity with the
11 amount applicable to for-profit entities, the Budget and Finance Committee of the Board (or
12 any successor committee as determined by the President of the Board) shall hold a hearing
13 before adoption of the budget to consider the report. The Board may amend the budget to
14 provide full or partial funding toward such parity. If additional funds are provided in the budget
15 to obtain such parity or to bring Nonprofit Corporation and public entities closer to such parity,
16 the hourly gross compensation for such entities shall increase to the extent provided in the
17 budget and the Agency shall provide notice of the amount of hourly gross compensation on
18 the Agency's website.

19 (C) For Contracts and Contract Amendments covered by Section 12P.4 of this
20 Chapter 12P, hourly gross compensation shall be as follows:

- 21 (i) Beginning on July 1, 2017, an hourly gross compensation of \$14.39.
- 22 (ii) Beginning on January 1, 2018, an hourly gross compensation of
23 \$15.86.
- 24 (iii) Beginning on July 1, 2018, an hourly gross compensation of \$16.86.
- 25

1 (iv) In order to prevent inflation from eroding the value of this rate, on
2 July 1, 2019, the hourly gross compensation rate shall increase by an amount corresponding to the
3 prior year's increase, if any, in the Consumer Price Index. Annually thereafter on July 1, the hourly
4 gross compensation in effect for the prior calendar year shall increase by an amount corresponding to
5 any prior year's increase in the Consumer Price Index.

6 (2) Compensated time off (at the compensation rates specified in subsections
7 (a)(1) of this Section 12P.3) in an hourly amount that, on an annualized basis for a full-time
8 employee, equals twelve ~~(12)~~ days per year. Such time off shall vest with the Covered
9 Employee at the end of the applicable Pay Period and may be used, for sick leave, vacation
10 or personal necessity. Notwithstanding the foregoing, if a Contractor reasonably determines,
11 in good faith, that the Contractor cannot comply with this requirement for compensated time
12 off, the Contractor shall provide the Covered Employee with a cash equivalent of such
13 compensated time off.

14 (3) Uncompensated time off in an hourly amount that, on an annualized basis
15 for a full-time employee, equals ten ~~(10)~~ days per year. Such time off shall vest with the
16 Covered Employee at the end of the applicable Pay Period and may be used, at the option of
17 the Covered Employee, for sick leave for the illness of the Covered Employee or such
18 Covered Employee's spouse, domestic partner, child, parent, sibling, grandparent or
19 grandchild.

20 (b) By ~~December~~ March 1 of each year, the Agency shall make available at its office
21 and on its website the hourly rates required by this Section 12P.3.

22 (c) When preparing proposed budgets and requests for supplemental appropriations
23 for contract services, City departments that regularly enter into agreements for the provision of
24 services by ~~#~~Nonprofit ~~e~~Corporations shall transmit with their proposal a written confirmation
25 that the department has considered in its calculations the costs that the ~~#~~Nonprofit

1 eCorporations calculate that they will incur in complying with the Minimum Compensation
2 Ordinance.

3 (d) Subject to the budgetary and fiscal provisions of the Charter, it shall be the
4 policy of the City to ensure sufficient funding to prevent a reduction in the services to the
5 community provided by Nonprofit Corporations and public entities.

6
7 **SEC. 12P.4. SAN FRANCISCO INTERNATIONAL AIRPORT.**

8 The requirements of this Chapter 12P shall apply to a written agreement (including,
9 without limitation, any lease, concession, franchise or easement agreement) for the exclusive
10 use of real property that is owned by the City or of which the City has exclusive use, if such
11 property is under the jurisdiction of the San Francisco Airport Commission and the term of the
12 agreement exceeds twenty-nine (~~29~~) days in any calendar year, whether by single or
13 cumulative instruments. If cumulative instruments cause the term of the agreement to exceed
14 twenty-nine (~~29~~) days, the agreement in question shall be subject to this Article only on and
15 after the effective date of the instrument which causes the term to exceed twenty-nine (~~29~~)
16 days. The requirements of this Chapter shall also apply to (i) any sublease or other agreement
17 allowing other parties the exclusive right to occupy or use all or any portion of the property
18 covered by the agreement and (ii) any agreement between a tenant or subtenant and any
19 other person or entity to perform services on the airport property. Contractors who have
20 agreements covered by this Section shall comply with the requirements of this Chapter insofar
21 as they have "Covered Employees." For purposes of this Section, "Covered Employee" shall
22 mean an employee who ~~provides at least ten (10) hours of~~ performs any work on the property that
23 is the subject of the agreement in a two-week Pay Period, adjusted proportionately if the Pay
24 Period is other than two (~~2~~) weeks. Notwithstanding the provisions of this Section, all
25 exemptions and waivers from the requirements of this Chapter that apply to Contracts shall

1 also apply to agreements for the use of airport property described in this Section, except that
2 the exemption in Section 12P.2(e)(16) does not apply to agreements for the use of real
3 property owned by the City or of which the City has exclusive use if the property is under the
4 jurisdiction of the San Francisco Airport Commission. Except as otherwise specifically
5 provided, all requirements of this Chapter, and the monitoring and enforcement mechanisms
6 provided in this Chapter, shall apply to agreements covered by this Section.


7
8 Section 2. Effective Date. This ordinance shall become effective 30 days after
9 enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor returns the
10 ordinance unsigned or does not sign the ordinance within ten days of receiving it, or the Board
11 of Supervisors overrides the Mayor's veto of the ordinance.

12
13 Section 3. Scope of Ordinance. In enacting this ordinance, the Board of Supervisors
14 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
15 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
16 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
17 additions, and Board amendment deletions in accordance with the "Note" that appears under
18 the official title of the ordinance.

19
20 Section 4. If any section, subsection, sentence, clause, phrase, or word of this Chapter
21 12P, or any application thereof to any person or circumstance, is held to be invalid or
22 unconstitutional by a decision of a court of competent jurisdiction, such decision shall not
23 affect the validity of the remaining portions or applications of the Article. The Board of
24 Supervisors hereby declares that it would have passed this Article and each and every
25 section, subsection, sentence, clause, phrase, and word not declared invalid or

1 unconstitutional without regard to whether any other portion of this Article or application
2 thereof would be subsequently declared invalid or unconstitutional.

3
4 APPROVED AS TO FORM:
5 DENNIS J. HERRERA, City Attorney

6
7 By: 
8 JOSHUA WHITE
9 Deputy City Attorney

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REVISED LEGISLATIVE DIGEST
(Substituted, 4/25/2017)

[Administrative Code - Increasing the Minimum Compensation Hourly Rate]

Ordinance amending the Administrative Code to increase the minimum hourly compensation rate for employees of City contractors other than nonprofit corporations or public entities to \$15.86 per hour on July 1, 2017, \$16.86 per hour on July 1, 2018, and followed thereafter by annual cost-of-living increases; and to require that City contractors pay the minimum hourly compensation rate to employees who perform any work funded under an applicable contract with the City.

Existing Law

The Minimum Compensation Ordinance (“MCO”) generally requires City contractors to provide their covered employees with no less than the MCO hourly compensation rate. The MCO covers most City service contractors, as well as those who hold leases or perform work at San Francisco International Airport.

For contracts and contract amendments with parties other than Nonprofit Corporations or public entities, the MCO hourly gross compensation is currently is \$13.64 per hour.

On July 1, 2017, the minimum wage will increase to \$14 per hour. That hourly rate will apply to City contractors, except for those who hold leases or perform work at San Francisco International Airport.

From 2004 through 2015, the MCO hourly compensation rate has been, on average, \$1.86 per hour higher than the minimum wage.

To be a “Covered Employee” under the MCO, the employee of a contractor must generally perform at least four hours per week during a pay period on work funded by the contract with the City within the geographic boundaries of the City or on City-owned or controlled property, or ten hours per week if the work is performed elsewhere in the United States and not on City-owned or controlled property.

Amendments to Current Law

For contracts and contract amendments with parties other than Nonprofit Corporations or public entities, hourly gross compensation would be as follows:

- Beginning on July 1, 2017, an hourly gross compensation of \$15.86.
- Beginning on July 1, 2018, an hourly gross compensation of \$16.86.

- Beginning on July 1, 2019, the hourly gross compensation rate would increase by the prior year's increase, if any, in the Consumer Price Index.

This ordinance would expand the definition of "Covered Employee" such that an employee would be "covered" by the MCO if he or she performed any work funded by a contract with the City during a pay period.

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<p>Item 13 File 17-0297</p>	<p>Department: Office of Labor Standards Enforcement</p>
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This item was continued at the April 26, 2018 Budget and Finance Committee meeting to the call of the chair.

EXECUTIVE SUMMARY

Legislative Objectives

- **File 17-0297** is an ordinance amending Administrative Code Section 12P to set the minimum hourly compensation rate for employees of City contractors, other than nonprofit corporations or public entities, at \$16.86 per hour on July 1, 2018.

Key Points

- The City’s Minimum Compensation Ordinance requires City contractors to pay their covered employees no less than the minimum hourly compensation rate and provide 12 days of paid time off each year. The proposed ordinances would set the hourly minimum compensation rate at \$16.86 per hour as of July 1, 2018, which is a \$1.86 more than the City’s minimum wage for all employees of \$15.00 per hour.
- Currently, employees of nonprofit organizations and public entities having contracts with the City are subject to the Minimum Compensation Ordinance if “sufficient funds” are available. File 17-0297 sets the minimum hourly compensation rate for employees of nonprofit corporations and public entities having contracts with the City at the minimum wage rate required for employees of all San Francisco businesses.
- Although the proposed ordinance provides for minimum compensation to increase to \$15.86 as of July 1, 2017, the proposed ordinance is not retroactive.

Fiscal Impact

- The increase in the minimum compensation to employees of City contractors and leaseholders could increase the costs of City contracts or reduce revenues from leases if these costs were passed through to the City when contracts and leases are amended or renewed. However, whether such costs would be passed through or the potential amount of the passed-through costs is not known.

Recommendations

- Amend the proposed ordinance to clarify that implementation of the minimum hourly compensation rate is not retroactive.
- Approval of the proposed ordinance as amended is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall act only by written ordinance or resolution.

Administrative Code Section 12P, known as the "Minimum Compensation Ordinance", requires City contractors to pay minimum compensation to employees.

BACKGROUND

The City currently has a Minimum Compensation Ordinance that requires City contractors to provide their covered employees with no less than the minimum hourly compensation rate. The Minimum Compensation Ordinance was adopted by the Board of Supervisors in August 2000 and covers City contracts with nonprofit corporations, public entities and for-profit companies. Covered contracts include: professional services, construction, grants, Airport leases (including concession leases), and subcontracts.

The Minimum Compensation Ordinance requires covered contractors to:

- Pay a minimum wage to all covered employees¹ who work at least 4 hours per week; and
- Provide 12 days of paid holidays and other leave per year if the employee works full time for one year.

The Minimum Compensation Ordinance set the original minimum wage at \$9 per hour, increasing by 2.5 percent per year through 2005. The Board of Supervisors amended the Minimum Compensation Ordinance in 2007 to require annual Consumer Price Index (CPI) adjustments to the minimum wage on January 1 of each year. The minimum wage required by the Minimum Compensation Ordinance as of July 1, 2018 is \$15.00 per hour, which is the same as the San Francisco minimum wage required of all employers located in San Francisco.²

While employees of nonprofit organizations and public entities are covered by the Minimum Compensation Ordinance, the Minimum Compensation Ordinance states that the City will fund wage increases to contracts with nonprofit organizations and public entities only if "sufficient funds" are available. According to the Minimum Compensation Ordinance, a finding of "sufficient funds" shall mean that the City will not be required to reduce services in order to pay the wage increase. The minimum wage for employees of nonprofit organizations and public entities having contracts with the City is currently \$14 per hour, consistent with the minimum wage for all employees of San Francisco businesses.

¹ Exempted employees include summer interns and participants in after-school programs, trainees and disabled workers as defined by federal regulations, and volunteers

² The minimum wage required by the MCO applies only to employees of City contractors, as defined by Administrative Code Section 12P. In addition, San Francisco voters approved a minimum wage that applies to all San Francisco employers. In November 2014, the voters approved Proposition J, raising the San Francisco minimum wage to \$15 per hour by 2018.

DETAILS OF PROPOSED LEGISLATION

The May 4, 2017 Budget and Finance Committee considered an ordinance setting the minimum compensation hourly rate at \$15.86 per hour on July 1, 2017, and \$16.86 per hour on July 1, 2018 (File 17-0297). File 17-0297 was duplicated and amended in committee. File 17-0297 and the duplicated file (File 17-0538) were continued to the call of the chair at the April 26, 2018 Budget and Finance Committee meeting.

File 17-0297 is an ordinance amending Administrative Code Section 12P to set the minimum hourly compensation rate for employees of City contractors, other than nonprofit corporations or public entities, at \$16.86 per hour on July 1, 2018. The hourly compensation rate would be adjusted on July 1 of each following year by the CPI.

The proposed ordinance sets the minimum hourly compensation rate for employees of nonprofit corporations and public entities having contracts with the City at the minimum wage rate required for employees of all San Francisco businesses.³

Other Provisions

The proposed ordinance would remove the requirement that employees covered by the Minimum Compensation Ordinance work a minimum of 4 hours per week. All employees working on a City contract would be covered by the MCO regardless of the hours worked.⁴

The proposed ordinance provides for minimum compensation to increase to \$15.86 per hour on July 1, 2017. However, the proposed ordinances are not retroactive; therefore, if the Board of Supervisors approves the proposed ordinance, the hourly minimum compensation of \$16.86 would go into effect after Board of Supervisors approval.

FISCAL IMPACT

The increase in the minimum compensation to employees of City contractors and leaseholders could increase the costs of City contracts or reduce revenues from leases if these costs were passed through to the City when contracts and leases are amended or renewed. However, whether such costs would be passed through or the potential amount of the passed-through costs is not known.

RECOMMENDATIONS

1. Amend the proposed ordinances to clarify that implementation of the minimum hourly rate under the minimum compensation ordinance is not retroactive.
2. Approval of the proposed ordinance as amended is a policy matter for the Board of Supervisors.

³ The ordinance does not change the existing Administrative Code provisions for the Mayor to report to the Board of Supervisors on funding CPI increases in the proposed budget for City contracts with nonprofit corporations and entities.

⁴ Currently, employees working on a City contract but located in the United States outside of City-owned property must work a minimum of 10 hours per week to be covered by the MCO. The proposed legislation removes this provision so that all employees working on a City contract, regardless of the number of hours worked, would be covered by the MCO.

MCO Cost Estimates

File #170297
#170538
Received in Committee
4/12/18
fn.

2

Costs were estimated for two groups of affected workers:

1. Approximately 20,000 IHSS workers.

The cost is estimated on the wage increase from \$15.00 to \$16.86, adjusted for state formula funding provided to the City.

Under the current MCO, the value of PTO (paid time off) counts toward the MCO wage. The ordinance under consideration (file 170538) would require that the value of PTO be in addition to the hourly wage. Including wages in lieu of PTO would raise the wage to \$17.64 ($\$15.00 + \$1.86 + \0.78).

2. Approximately 1,700 FTEs at organizations with contracts at the Department of Public Health and approximately 500 childcare workers.

The cost is estimated on the wage increase from \$15.00 to \$16.86 for affected FTEs, and an additional adjustment for wage compression. Does not include wage-related benefit costs such as employer social security taxes (6.2%).

BOARD of SUPERVISORS



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Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Jaci Fong, Director, Office of Contract Administration
Mawuli Tugbenyoh, Office of the Mayor
Ben Rosenfield, City Controller, Office of the Controller
Ivan Satero, Director, San Francisco International Airport

FROM: Linda Wong, Assistant Clerk, Budget and Finance Committee

DATE: May 1, 2017

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Budget and Finance Committee has received the following substituted legislation:

File No. 170297

Ordinance amending the Administrative Code to increase the minimum hourly compensation rate for employees of City contractors other than nonprofit corporations or public entities to \$15.86 per hour on July 1, 2017, \$16.86 per hour on July 1, 2018, and followed thereafter by annual cost-of-living increases; and to require that City contractors pay the minimum hourly compensation rate to employees who perform any work funded under an applicable contract with the City.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Office of the Controller

Wong, Linda (BOS)

From: Wong, Linda (BOS)
Sent: Monday, May 01, 2017 4:09 PM
To: Fong, Jaci (ADM); Tugbenyoh, Mawuli (MYR); Rosenfield, Ben (CON); Ivar Satero (AIR)
Cc: 'Domingo, Kofo (ADM)'; Rydstrom, Todd (CON); Cathy Widener (AIR)
Subject: File No. 170297 - REFERRAL FROM BOARD OF SUPERVISORS (Budget & Finance Committee)
Attachments: 170297.pdf

Good afternoon,

Supervisor Sheehy introduced the attached substitute ordinance, which is being sent to you for informational purposes. If you have any comments or reports to be included with the file, please respond to this email or forward them to me at the address listed below.

File No. 170297

Ordinance amending the Administrative Code to increase the minimum hourly compensation rate for employees of City contractors other than nonprofit corporations or public entities to \$15.86 per hour on July 1, 2017, \$16.86 per hour on July 1, 2018, and followed thereafter by annual cost-of-living increases; and to require that City contractors pay the minimum hourly compensation rate to employees who perform any work funded under an applicable contract with the City.

Sincerely,
Linda Wong
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102-4689
Phone: 415.554.7719 | Fax: (415) 554-5163
Linda.Wong@sfgov.org | www.sfbos.org

Please complete a Board of Supervisors Customer Service Satisfaction form by clicking [here](#).

The [Legislative Research Center](#) provides 24-hour access to Board of Supervisors legislation, and archived matters since August 1998.

Disclosures: Personal information that is provided in communications to the Board of Supervisors is subject to disclosure under the California Public Records Act and the San Francisco Sunshine Ordinance. Personal information provided will not be redacted. Members of the public are not required to provide personal identifying information when they communicate with the Board of Supervisors and its committees. All written or oral communications that members of the public submit to the Clerk's Office regarding pending legislation or hearings will be made available to all members of the public for inspection and copying. The Clerk's Office does not redact any information from these submissions. This means that personal information—including names, phone numbers, addresses and similar information that a member of the public elects to submit to the Board and its committees—may appear on the Board of Supervisors website or in other public documents that members of the public may inspect or copy.

BOARD of SUPERVISORS



City Hall
1 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: Jaci Fong, Director, Office of Contract Administration
Mawuli Tugbenyoh, Office of the Mayor
Ben Rosenfield, City Controller, Office of the Controller
John Martin, Director, San Francisco International Airport

FROM: Linda Wong, Assistant Clerk, Budget and Finance Sub-Committee

DATE: April 3, 2017

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Budget and Finance Sub-Committee has received the following proposed legislation:

File No. 170297

Ordinance amending the Administrative Code to increase the minimum hourly compensation rate for employees of City contractors other than nonprofit corporations or public entities to \$15.86 per hour on July 1, 2017, \$16.86 per hour on July 1, 2018, and followed thereafter by annual cost-of-living increases.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Kofo Domingo, Office of Contract Administration
Todd Rydstrom, Office of the Controller
Cathy Widener, San Francisco International Airport

Wong, Linda (BOS)

From: Wong, Linda (BOS)
Sent: Monday, April 03, 2017 3:13 PM
To: Fong, Jaci (ADM); Tugbenyoh, Mawuli (MYR); Rosenfield, Ben (CON); 'John Martin (AIR)'
Cc: Domingo, Kofo (ADM); Rydstrom, Todd (CON); Cathy Widener (AIR)
Subject: File No. 170297 - REFERRAL FROM BOARD OF SUPERVISORS (Budget & Finance Sub-Committee)
Attachments: 170297.pdf

Good afternoon,

Attached is a referral for BOS File No. 170297, which is being sent to you for informational purposes. If you have any comments or reports to be included with the file, please respond to this email or forward them to me at the address listed below.

File No. 170297

Ordinance amending the Administrative Code to increase the minimum hourly compensation rate for employees of City contractors other than nonprofit corporations or public entities to \$15.86 per hour on July 1, 2017, \$16.86 per hour on July 1, 2018, and followed thereafter by annual cost-of-living increases.

Sincerely,
Linda Wong
Board of Supervisors
1 Dr. Carlton B. Goodlett Place, City Hall, Room 244
San Francisco, CA 94102-4689
Phone: 415.554.7719 | Fax: (415) 554-5163
Linda.Wong@sfgov.org | www.sfbos.org

Please complete a Board of Supervisors Customer Service Satisfaction form by clicking [here](#).

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Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2017 APR 25 PM 4:30

Time stamp
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
- 6. Call File No. [] from Committee.
- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. [170297]
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission Youth Commission Ethics Commission
- Planning Commission Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Sheehy, Kim

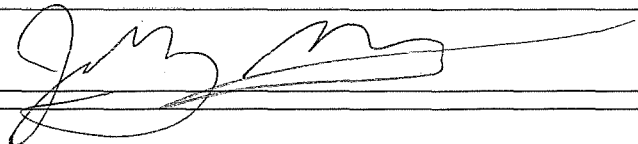
Subject:

Administrative Code -- Increasing the Minimum Compensation Hourly Rate

The text is listed below or attached:

Please see attached.

Signature of Sponsoring Supervisor:



For Clerk's Use Only:

Introduction Form

By a Member of the Board of Supervisors or the Mayor

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

2017 MAR 21 PM

Time stamp
for meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion, or Charter Amendment)
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning "Supervisor [] inquires"
- 5. City Attorney request.
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- 7. Budget Analyst request (attach written motion).
- 8. Substitute Legislation File No. []
- 9. Reactivate File No. []
- 10. Question(s) submitted for Mayoral Appearance before the BOS on []

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

Note: For the Imperative Agenda (a resolution not on the printed agenda), use a Imperative Form.

Sponsor(s):

Supervisors Sheehy, Kim

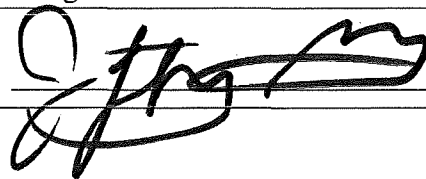
Subject:

Administrative Code - Increasing the Minimum Compensation Hourly Rate

The text is listed below or attached:

Ordinance amending the Administrative Code to increase the minimum hourly compensation rate for employees of City contractors other than nonprofit corporations or public entities to \$15.86 per hour on July 1, 2017, \$16.86 per hour on July 1, 2018, and followed thereafter by annual cost-of-living increases.

Signature of Sponsoring Supervisor:



For Clerk's Use Only:

Items 7 and 8
Files 17-0297 and 17-0538
(Continued from April 12, 2018)

Department:
 Office of Labor Standards Enforcement

EXECUTIVE SUMMARY

Legislative Objectives

- **File 17-0297** is an ordinance amending Administrative Code Section 12P to set the minimum hourly compensation rate for employees of City contractors, *other than nonprofit corporations or public entities*, at \$16.86 per hour on July 1, 2018.
- **File 17-0538** is an ordinance amending Administrative Code Section 12P for to set the minimum hourly compensation rate for employees of City contractors, *including employees of nonprofit corporations and public entities*, at \$16.86 per hour on July 1, 2018.

Key Points

- The City's Minimum Compensation Ordinance requires City contractors to pay their covered employees no less than the minimum hourly compensation rate and provide 12 days of paid time off each year. The proposed ordinances would set the hourly minimum compensation rate at \$16.86 per hour as of July 1, 2018, which is a \$1.86 more than the City's minimum wage for employees of all businesses in San Francisco of \$15.00 per hour.
- Currently, employees of nonprofit organizations and public entities having contracts with the City are subject to the Minimum Compensation Ordinance if "sufficient funds" are available. File 17-0297 sets the minimum hourly compensation rate for employees of nonprofit corporations and public entities having contracts with the City at the minimum wage rate required for employees of all San Francisco businesses. File 17-0538 applies the minimum compensation of \$16.86 per hour to all employees of nonprofit organizations and public entities that have contracts with the City.
- Although the proposed ordinance provides for minimum compensation to increase to \$15.86 as of July 1, 2017, the proposed ordinance is not retroactive.

Fiscal Impact

- According to the Controller's Office, the estimated cost to the City to apply the minimum compensation of \$16.86 per hour (or \$1.86 per hour above the minimum wage) to nonprofit and public contracts (File 17-0538) is \$44 million in FY 2018-19. If the Board of Supervisors were to approve a minimum compensation amount of less than \$1.86 per hour above the minimum wage, the costs to the City would be less, ranging from \$18 million for an increase of \$0.50 per hour to \$38 million for an increase of \$1.50 per hour.

Recommendations

- Amend the proposed ordinances to clarify that the approval of the minimum compensation rate is not retroactive.
- Approval of the proposed ordinances as amended is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall act only by written ordinance or resolution.

Administrative Code Section 12P, known as the "Minimum Compensation Ordinance", requires City contractors to pay minimum compensation to employees.

BACKGROUND

The City currently has a Minimum Compensation Ordinance that requires City contractors to provide their covered employees with no less than the minimum hourly compensation rate. The Minimum Compensation Ordinance was adopted by the Board of Supervisors in August 2000 and covers City contracts with nonprofit corporations, public entities and for-profit companies. Covered contracts include: professional services, construction, grants, Airport leases (including concession leases), and subcontracts.

The Minimum Compensation Ordinance requires covered contractors to:

- Pay a minimum wage to all covered employees¹ who work at least 4 hours per week; and
- Provide 12 days of paid holidays and other leave per year if the employee works full time for one year.

The Minimum Compensation Ordinance set the original minimum wage at \$9 per hour, increasing by 2.5 percent per year through 2005. The Board of Supervisors amended the Minimum Compensation Ordinance in 2007 to require annual Consumer Price Index (CPI) adjustments to the minimum wage on January 1 of each year. The minimum wage required by the Minimum Compensation Ordinance as of January 1, 2018 is \$14.02 per hour, which is \$0.02 per hour more than the San Francisco minimum wage required of all employers located in San Francisco of \$14.00.²

While employees of nonprofit organizations and public entities are covered by the Minimum Compensation Ordinance, the Minimum Compensation Ordinance states that the City will fund wage increases to contracts with nonprofit organizations and public entities only if "sufficient funds" are available. According to the Minimum Compensation Ordinance, a finding of "sufficient funds" shall mean that the City will not be required to reduce services in order to pay the wage increase. The minimum wage for employees of nonprofit organizations and public entities having contracts with the City is currently \$14 per hour, consistent with the minimum wage for all employees of San Francisco businesses.

¹ Exempted employees include summer interns and participants in after-school programs, trainees and disabled workers as defined by federal regulations, and volunteers

² The minimum wage required by the Minimum Compensation Ordinance applies only to employees of City contractors, as defined by Administrative Code Section 12P. In addition, San Francisco voters approved a minimum wage that applies to all San Francisco employers. In November 2014, the voters approved Proposition J, raising the San Francisco minimum wage to \$15 per hour by 2018.

DETAILS OF PROPOSED LEGISLATION

The May 4, 2017 Budget and Finance Committee considered an ordinance setting the minimum compensation hourly rate at \$15.86 per hour on July 1, 2017, and \$16.86 per hour on July 1, 2018 (File 17-0297). File 17-0297 was duplicated and amended in committee. File 17-0297 was re-referred to committee by the Board of Supervisors at the May 16, 2017 meeting. The duplicated file – File 17-0538 – was continued to the call of the chair at the May 11, 2017 Budget and Finance Committee meeting.

File 17-0297 is an ordinance amending Administrative Code Section 12P to set the minimum hourly compensation rate for employees of City contractors, *other than nonprofit corporations or public entities*, at \$16.86 per hour on July 1, 2018. The hourly compensation rate would be adjusted on July 1 of each following year by the CPI.

The proposed ordinance sets the minimum hourly compensation rate for employees of nonprofit corporations and public entities having contracts with the City at the minimum wage rate required for employees of all San Francisco businesses.³

File 17-0538 is an ordinance amending Administrative Code Section 12P for employees of City contractors, *including employees of nonprofit corporations and public entities*, at \$16.86 per hour on July 1, 2018. The hourly compensation rate would be adjusted on July 1 of each following year by the CPI.

Other Provisions

File 17-0297 and File 17-0538 would remove the requirement that employees covered by the Minimum Compensation Ordinance work a minimum of 4 hours per week. All employees working on a City contract would be covered by the Minimum Compensation Ordinance regardless of the hours worked.⁴

File 17-0297 and File 17-0538 both provide for minimum compensation to increase to \$15.86 per hour on July 1, 2017. However, the proposed ordinances are not retroactive; therefore, if the Board of Supervisors approves the proposed ordinance, the hourly minimum compensation of \$16.86 would go into effect on July 1, 2018.

FISCAL IMPACT

File 17-0538

Currently, nonprofit and public contractors with the City pay the minimum wage, which is \$15.00 per hour as of July 1, 2018. The proposed ordinance would require nonprofit and public

³ The ordinance does not change the existing Administrative Code provisions for the Mayor to report to the Board of Supervisors on funding CPI increases in the proposed budget for City contracts with nonprofit corporations and entities.

⁴ Currently, employees working on a City contract but located in the United States outside of City-owned property must work a minimum of 10 hours per week to be covered by the MCO. The proposed legislation removes this provision so that all employees working on a City contract, regardless of the number of hours worked, would be covered by the Minimum Compensation Ordinance.

contractors with the City to pay minimum compensation of \$16.86 per hour as of July 1, 2018, or \$1.86 per hour more than the minimum wage of \$15.00 per hour.

According to estimates by the Controller's Office, the estimated cost to the City to apply the minimum compensation of \$16.86 per hour (or \$1.86 per hour above the minimum wage) to nonprofit and public contracts is \$44 million in FY 2018-19, as shown in the Table below. If the Board of Supervisors were to approve a minimum compensation amount of less than \$1.86 per hour above the minimum wage, the costs to the City would be less, ranging from \$18 million for an increase of \$0.50 to \$38 million for an of \$1.50, as shown in the Table below.

Table: Estimated Costs of Minimum Compensation for Nonprofit and Public Contract Employees in FY 2018-19

	Hourly Rate Above Minimum Wage			
	\$0.50	\$1.00	\$1.50	\$1.86
In Home Supportive Services - Wage Increase	\$6,000,000	\$12,000,000	\$18,000,000	\$22,000,000
In Home Supportive Services - Paid Time Off	9,000,000	9,000,000	9,000,000	9,000,000
Nonprofit Providers - City's Direct Contract Cost	3,000,000	700,000	11,000,000	13,000,000
Total	\$18,000,000	\$21,700,000	\$38,000,000	\$44,000,000

Source: Controller

RECOMMENDATIONS

1. Amend the proposed ordinances to clarify that the approval of the minimum compensation rate is not retroactive.
2. Approval of the proposed ordinances as amended is a policy matter for the Board of Supervisors.

<p>Items 8 and 9 Files 17-0297 and 17-0538</p>	<p>Department: Office of Labor Standards Enforcement</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • File 17-0297 is an ordinance amending Administrative Code Section 12P to set the minimum hourly compensation rate for employees of City contractors, <i>other than nonprofit corporations or public entities</i>, at \$16.86 per hour on July 1, 2018. • File 17-0538 is an ordinance amending Administrative Code Section 12P for to set the minimum hourly compensation rate for employees of City contractors, <i>including employees of nonprofit corporations and public entities</i>, at \$16.86 per hour on July 1, 2018. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The City’s Minimum Compensation Ordinance requires City contractors to pay their covered employees no less than the minimum hourly compensation rate and provide 12 days of paid time off each year. The proposed ordinances would set the hourly minimum compensation rate at \$16.86 per hour as of July 1, 2018, which is a \$1.86 more than the City’s minimum wage for employees of all businesses in San Francisco of \$15.00 per hour. • Currently, employees of nonprofit organizations and public entities having contracts with the City are subject to the Minimum Compensation Ordinance if “sufficient funds” are available. File 17-0297 sets the minimum hourly compensation rate for employees of nonprofit corporations and public entities having contracts with the City at the minimum wage rate required for employees of all San Francisco businesses. File 17-0538 applies the minimum compensation of \$16.86 per hour to all employees of nonprofit organizations and public entities that have contracts with the City. • Although the proposed ordinance provides for minimum compensation to increase to \$15.86 as of July 1, 2017, the proposed ordinance is not retroactive. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • According to the Controller’s Office, the estimated cost to the City to apply the minimum compensation of \$16.86 per hour (or \$1.86 per hour above the minimum wage) to nonprofit and public contracts (File 17-0538) is \$44 million in FY 2018-19. If the Board of Supervisors were to approve a minimum compensation amount of less than \$1.86 per hour above the minimum wage, the costs to the City would be less, ranging from \$18 million for an increase of \$0.50 per hour to \$38 million for an increase of \$1.50 per hour. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Amend the proposed ordinances to clarify that the approval of the minimum compensation rate is not retroactive. • Approval of the proposed ordinances as amended is a policy matter for the Board of Supervisors. 	

MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall act only by written ordinance or resolution.

Administrative Code Section 12P, known as the “Minimum Compensation Ordinance”, requires City contractors to pay minimum compensation to employees.

BACKGROUND

The City currently has a Minimum Compensation Ordinance that requires City contractors to provide their covered employees with no less than the minimum hourly compensation rate. The Minimum Compensation Ordinance was adopted by the Board of Supervisors in August 2000 and covers City contracts with nonprofit corporations, public entities and for-profit companies. Covered contracts include: professional services, construction, grants, Airport leases (including concession leases), and subcontracts.

The Minimum Compensation Ordinance requires covered contractors to:

- Pay a minimum wage to all covered employees¹ who work at least 4 hours per week; and
- Provide 12 days of paid holidays and other leave per year if the employee works full time for one year.

The Minimum Compensation Ordinance set the original minimum wage at \$9 per hour, increasing by 2.5 percent per year through 2005. The Board of Supervisors amended the Minimum Compensation Ordinance in 2007 to require annual Consumer Price Index (CPI) adjustments to the minimum wage on January 1 of each year. The minimum wage required by the Minimum Compensation Ordinance as of January 1, 2018 is \$14.02 per hour, which is \$0.02 per hour more than the San Francisco minimum wage required of all employers located in San Francisco of \$14.00.²

While employees of nonprofit organizations and public entities are covered by the Minimum Compensation Ordinance, the Minimum Compensation Ordinance states that the City will fund wage increases to contracts with nonprofit organizations and public entities only if “sufficient funds” are available. According to the Minimum Compensation Ordinance, a finding of “sufficient funds” shall mean that the City will not be required to reduce services in order to pay the wage increase. The minimum wage for employees of nonprofit organizations and public entities having contracts with the City is currently \$14 per hour, consistent with the minimum wage for all employees of San Francisco businesses.

¹ Exempted employees include summer interns and participants in after-school programs, trainees and disabled workers as defined by federal regulations, and volunteers.

² The minimum wage required by the Minimum Compensation Ordinance applies only to employees of City contractors, as defined by Administrative Code Section 12P. In addition, San Francisco voters approved a minimum wage that applies to all San Francisco employers. In November 2014, the voters approved Proposition J, raising the San Francisco minimum wage to \$15 per hour by 2018.

DETAILS OF PROPOSED LEGISLATION

The May 4, 2017 Budget and Finance Committee considered an ordinance setting the minimum compensation hourly rate at \$15.86 per hour on July 1, 2017, and \$16.86 per hour on July 1, 2018 (File 17-0297). File 17-0297 was duplicated and amended in committee. File 17-0297 was re-referred to committee by the Board of Supervisors at the May 16, 2017 meeting. The duplicated file – File 17-0538 – was continued to the call of the chair at the May 11, 2017 Budget and Finance Committee meeting.

File 17-0297 is an ordinance amending Administrative Code Section 12P to set the minimum hourly compensation rate for employees of City contractors, *other than nonprofit corporations or public entities*, at \$16.86 per hour on July 1, 2018. The hourly compensation rate would be adjusted on July 1 of each following year by the CPI.

The proposed ordinance sets the minimum hourly compensation rate for employees of nonprofit corporations and public entities having contracts with the City at the minimum wage rate required for employees of all San Francisco businesses.³

File 17-0538 is an ordinance amending Administrative Code Section 12P for employees of City contractors, *including employees of nonprofit corporations and public entities*, at \$16.86 per hour on July 1, 2018. The hourly compensation rate would be adjusted on July 1 of each following year by the CPI.

Other Provisions

File 17-0297 and File 17-0538 would remove the requirement that employees covered by the Minimum Compensation Ordinance work a minimum of 4 hours per week. All employees working on a City contract would be covered by the Minimum Compensation Ordinance regardless of the hours worked.⁴

File 17-0297 and File 17-0538 both provide for minimum compensation to increase to \$15.86 per hour on July 1, 2017. However, the proposed ordinances are not retroactive; therefore, if the Board of Supervisors approves the proposed ordinance, the hourly minimum compensation of \$16.86 would go into effect on July 1, 2018.

FISCAL IMPACT**File 17-0538**

Currently, nonprofit and public contractors with the City pay the minimum wage, which is \$15.00 per hour as of July 1, 2018. The proposed ordinance would require nonprofit and public

³ The ordinance does not change the existing Administrative Code provisions for the Mayor to report to the Board of Supervisors on funding CPI increases in the proposed budget for City contracts with nonprofit corporations and entities.

⁴ Currently, employees working on a City contract but located in the United States outside of City-owned property must work a minimum of 10 hours per week to be covered by the MCO. The proposed legislation removes this provision so that all employees working on a City contract, regardless of the number of hours worked, would be covered by the Minimum Compensation Ordinance.

contractors with the City to pay minimum compensation of \$16.86 per hour as of July 1, 2018, or \$1.86 per hour more than the minimum wage of \$15.00 per hour.

According to estimates by the Controller’s Office, the estimated cost to the City to apply the minimum compensation of \$16.86 per hour (or \$1.86 per hour above the minimum wage) to nonprofit and public contracts is \$44 million in FY 2018-19, as shown in the Table below. If the Board of Supervisors were to approve a minimum compensation amount of less than \$1.86 per hour above the minimum wage, the costs to the City would be less, ranging from \$18 million for an increase of \$0.50 to \$38 million for an of \$1.50, as shown in the Table below.

Table: Estimated Costs of Minimum Compensation for Nonprofit and Public Contract Employees in FY 2018-19

	Hourly Rate Above Minimum Wage			
	\$0.50	\$1.00	\$1.50	\$1.86
In Home Supportive Services - Wage Increase	\$6,000,000	\$12,000,000	\$18,000,000	\$22,000,000
In Home Supportive Services - Paid Time Off	9,000,000	9,000,000	9,000,000	9,000,000
Nonprofit Providers - City's Direct Contract Cost	3,000,000	700,000	11,000,000	13,000,000
Total	\$18,000,000	\$21,700,000	\$38,000,000	\$44,000,000

Source: Controller

RECOMMENDATIONS

1. Amend the proposed ordinances to clarify that the approval of the minimum compensation rate is not retroactive.
2. Approval of the proposed ordinances as amended is a policy matter for the Board of Supervisors.

Item 1
File 17-0297

Department:
Office of Labor Standards Enforcement

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend Administrative Code Section 12P to increase the minimum wage required by the City's Minimum Compensation Ordinance as of (1) July 1, 2017 from \$14 per hour to \$15.86 per hour, and (2) July 1, 2018 from \$15.86 per hour to \$16.86 per hour.

Key Points

- The City currently has a minimum compensation ordinance (MCO) that requires City contractors to provide their covered employees with no less than the MCO hourly compensation rate and provide 12 days of paid time off each year.
- The proposed ordinance would increase the hourly minimum wage required by the MCO for the employees of for-profit City contractors from \$14 to \$15.86 as of July 1, 2017 and to \$16.86 as of July 1, 2018. In addition, the proposed ordinance would eliminate the requirement that employees of City contractors work at least four hours per week.
- Currently, employees of nonprofit organizations and public entities having contracts with the City are subject to the MCO, if "sufficient funds" are available, as noted above. The proposed ordinance would eliminate this provision but employees of nonprofit organizations and public entities would still be covered by the City's minimum wage, which increases from the current rate of \$13 per hour to \$14 per hour on July 1, 2017.
- Currently, employees of contractors and lessees operating at the Airport are covered by the MCO in the same manner as all other employees of City contractors. Under the proposed ordinance, MCO minimum wage requirements for employees of businesses working at the Airport would be phased in; the minimum wage under the MCO would increase as of (a) July 1, 2017 from \$14 per hour to \$14.39 per hour; (b) on January 1, 2018 from \$14.39 per hour to \$15.86 per hour; and (c) on July 1, 2018 from \$15.86 per hour to \$16.86 per hour.

Fiscal Impact

- Increased costs as a result of paying increased minimum wage rates under the proposed ordinance could result in increased costs of future City contracts. However, any increased contract costs to the City as a result of paying minimum wage rates are dependent on future City contractors' bids, and the extent to which higher wage rates may result in higher contractor bids.

Recommendation

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.105 states that the Board of Supervisors shall act only by written ordinance or resolution.

Administrative Code Section 12P, known as the “Minimum Compensation Ordinance”, requires City contractors to pay minimum compensation to employees.

BACKGROUND

The City currently has a minimum compensation ordinance (MCO) that requires City contractors to provide their covered employees with no less than the MCO hourly compensation rate. The MCO was adopted by the Board of Supervisors in August 2000 and covers City contracts with nonprofit corporations, public entities and for-profit companies. Covered contracts include: professional services, construction, grants, Airport leases (including concession leases), and subcontracts.

The Minimum Compensation Ordinance requires covered contractors to:

- Pay a minimum wage to all covered employees¹ who work at least 4 hours per week; and
- Provide 12 days of paid holidays and other leave per year if the employee works full time for one year.

The MCO set the original minimum wage at \$9 per hour, increasing by 2.5 percent per year through 2005. The Board of Supervisors amended the MCO in 2007 to require annual Consumer Price Index (CPI) adjustments to the minimum wage on January 1 of each year. The minimum wage required by the MCO as of January 1, 2017 is \$13.64 per hour, which will increase to \$14 per hour on July 1, 2017 to conform to the San Francisco minimum wage required of all employers located in San Francisco.²

While employees of nonprofit organizations and public entities are covered by the MCO, the MCO states that the City will fund wage increases to contracts with nonprofit organizations and public entities only if “sufficient funds” are available. According to the MCO, a finding of “sufficient funds” shall mean that the City will not be required to reduce services in order to pay the wage increase. The minimum wage for employees of nonprofit organizations and public entities having contracts with the City is currently \$13 per hour.

¹ Exempted employees include summer interns and participants in after-school programs, trainees and disabled workers as defined by federal regulations, and volunteers

² The minimum wage required by the MCO applies only to employees of City contractors, as defined by Administrative Code Section 12P. In addition, San Francisco voters approved a minimum wage that applies to all San Francisco employers. In November 2014, the voters approved Proposition J, raising the San Francisco minimum wage to \$15 per hour by 2018. The current minimum wage is \$13 per hour, increasing to \$14 per hour on July 1, 2017.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend Administrative Code Section 12P to increase the hourly compensation rate required by the City's Minimum Compensation Ordinance for the employees of for-profit City contractors as of (1) July 1, 2017 from \$14 per hour to \$15.86 per hour, and (2) July 1, 2018 from \$15.86 per hour to \$16.86 per hour. That hourly compensation rate would be adjusted on July 1 of each following year by the Consumer Price Index.

Other proposed changes to the Minimum Compensation Ordinance are as follows:

- Currently an employee covered by the MCO must work a minimum of 4 hours per week. The proposed ordinance removes this minimum work requirement; all employees working on a City contract would be covered by the MCO regardless of the hours worked.³
- Currently, employees of nonprofit organizations and public entities having contracts with the City are subject to the MCO, if "sufficient funds" are available, as noted above. The proposed ordinance would eliminate this provision but employees of nonprofit organizations and public entities would still be covered by Administrative Code Section 12R.4, which requires all businesses in San Francisco to pay the City's minimum wage. As noted above, under the existing provisions of the Administrative Code, the City's minimum wage increases from the current rate of \$13 per hour to \$14 per hour on July 1, 2017, and to \$15 per hour on July 1, 2018.
- Currently, employees of contractors and lessees operating at the Airport are covered by the MCO in the same manner as all other employees of City contractors. Under the proposed ordinance, MCO hourly compensation rate requirements for employees of businesses working at the Airport would be phased in; the hourly compensation rate under the MCO would increase as of (a) July 1, 2017 from \$14 per hour to \$14.39 per hour; (b) on January 1, 2018 from \$14.39 per hour to \$15.86 per hour; and (c) on July 1, 2018 from \$15.86 per hour to \$16.86 per hour.

FISCAL IMPACT

The proposed ordinance would increase the minimum wage for all employees of for-profit businesses having contracts with the City which provide professional services, general services, and construction services, and for all employees of Airport contractors and lessees. Increased costs as a result of paying increased minimum wage rates under the proposed ordinance could result in increased costs of future City contracts. However, any increased contract costs to the City as a result of paying minimum wage rates are dependent on future City contractors' bids, and the extent to which higher wage rates may result in higher contractor bids.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

³ Currently, employees working on a City contract but located in the United States outside of City-owned property must work a minimum of 10 hours per week to be covered by the MCO. The proposed legislation removes this provision so that all employees working on a City contract, regardless of the number of hours worked, would be covered by the MCO.

