

REVISED LEGISLATIVE DIGEST
(Amended in Board, 10/23/2018)

[Administrative Code - Increasing the Minimum Compensation Hourly Rate for Employees Under Contracts with Nonprofit Corporations and Public Entities]

Ordinance amending the Administrative Code to increase, as of July 1, 2019, the minimum hourly compensation rate for employees under contracts with Nonprofit Corporations to \$16.50, and followed thereafter by annual cost-of-living increases beginning July 1, 2020; to increase the minimum hourly compensation rate for employees under contracts with public entities to \$16.00 as of February 1, 2019, \$16.50 as of July 1, 2019, \$17.50 as of July 1, 2020, \$18.00 as of July 1, 2021, and \$18.75 as of July 1, 2022, and followed thereafter by annual cost-of-living increases beginning July 1, 2023; to provide that these increases are conditioned on funds being appropriated by the City; and to establish a working group to consider and advise on issues related to wage increases for employees under contracts with Nonprofit Corporations and public entities.

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, including for-profit companies, those who hold leases or perform work at San Francisco International Airport, nonprofit corporations, and public entities.

For contracts and contract amendments with nonprofit corporations or public entities, the MCO hourly gross compensation is currently the minimum wage, which increased to \$15 per hour on July 1, 2018.

For contracts and contract amendments with contractors other than nonprofit corporations or public entities, the hourly gross compensation under the MCO will increase to \$17.00 on November 12, pursuant to an ordinance in File No. 170297, passed by the Board on October 2, 2018 and signed by the Mayor on October 12, 2018. This applies to airport workers who are employees of contractors other than nonprofit corporations or public entities. Workers under contracts and contract amendments with contractors other than nonprofit corporations or public entities will receive annual CPI increases on starting on July 1, 2019.

These hourly rates apply to employees of City contractors who work in San Francisco. Workers outside the City currently receive \$14.02.

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

Amendments to Current Law

For contracts and contract amendments with nonprofit corporations, hourly gross compensation would be as follows:

- Beginning on July 1, 2019, an hourly gross compensation of \$16.50.
- CPI increases, if any, would go into effect on every July 1 thereafter.

For contracts and contract amendments with public entities, hourly gross compensation would be as follows:

- Beginning February 1, 2019, an hourly gross compensation of \$16.00.
- Beginning July 1, 2019, an hourly gross compensation of \$16.50.
- Beginning July 1, 2020, an hourly gross compensation of \$17.50.
- Beginning July 1, 2021, an hourly gross compensation of \$18.00.
- Beginning July 1, 2023, an hourly gross compensation of \$18.75.
- CPI increases, if any, would go into effect on every July 1 thereafter.

These increases would go into effect only if the City appropriates funds for the increases, and the Controller certifies that those funds are sufficient to pay for the increased hourly gross compensation. If the Controller certifies that the appropriated funds are sufficient to support a proportion of the increased rate and Consumer Price Index increase, then the hourly gross compensation rate would increase by that proportion only.

This ordinance would create a working group to address issues related to the implementation of these rates.

- The Controller would convene the working group, comprised of ten individuals: the Controller; one representative from the Human Services Agency; one representative from the Department of Public Health; three workers from different nonprofits subject to the MCO; two staff members representing labor interests; and two executives from different nonprofits subject to the MCO.
- The working group will meet until April 1, 2019, and will provide a report to the Board and Mayor by that date addressing the following topics: (1) wage equity: the inequity that occurs when workers funded by a City contract receive a higher wage than other workers who are performing the same work but are funded by non-City contracts; and (2) wage compaction: the inequity that occurs when the difference between wage levels is reduced because one worker funded by a City contract receives an increased wage while other workers do not.
- The Working Group will expire on May 1, 2019.

Background Information

This legislative digest includes amendments adopted by the Board of Supervisors at its regular meeting on October 23, 2018.

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