

Final
Report and
Recommendations
City of Tacoma
Minimum Wage Task Force

Presented to Tacoma's Mayor and City Council

June 30, 2015

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Task Force Members

Abranna Romero Rocha

Lincoln High School Student

Reverend David Strong

Executive Director, AIDS Housing Association of Tacoma; Pastor, Spirit of Christ Community Church

Robert Taylor

Member Field Director, SEIU 1199NW

Michelle Douglas

Executive Director, Rainbow Center (former owner of Tempest Lounge)

Russ Heaton

Owner, Doyle's Public House

Dr. Ali Modarres

Director, Urban Studies Program, UW Tacoma

Brenda Wiest

Legal Affairs Coordinator, Teamsters 117

Pastor Gregory Christopher

Shiloh Baptist Church, Ministerial Alliance and NAACP

Liz Dunbar

Executive Director, Tacoma Community House

Dennis Farrow

Owner, Advanced Technology Construction, and Military Veteran

Sarah Cherin

Political and Public Policy Director, UFCW 21

Reggie Frederick

Owner, Chalet Bowl

Odette D'Aniello

Owner, Celebrity Cake Studio

Eric Hahn

Vice President, General Plastics; Workforce Central Board Member

Kelly Chambers

Owner, Visiting Angels (In-home CareService); Puget Sound Honor Flight Board Member

The Task Force's Recommendations

The members of the Tacoma Minimum Wage Task Force agree that raising the minimum hourly wage in Tacoma from \$9.47 to \$15 on January 1, 2016 would be unprecedented and very difficult for small businesses and small non-profit organizations to implement. They also agree that raising the minimum wage should be done incrementally—in phases or steps over time.

While they agree on a number of elements of an alternative proposal to the initiative that will appear on the Tacoma ballot in November 2015, they did not reach unanimous agreement on a single alternative. The Task Force offers Mayor Strickland and the City Council two options for phasing in the increases in the minimum wage.

The two alternatives are outlined on the following pages.

Proposal A

Proposal A was endorsed on June 25, 2015 by the following Task Force members: Sarah Cherin, Pastor Gregory Christopher, Michelle Douglas, Liz Dunbar, Dr. Ali Modarres, Abranna Romero Rocha, Robert Taylor, David Strong, and Brenda Wiest.

GOALS:

1. Achieve a minimum hourly wage of at least \$15 for everyone working in Tacoma by 2024.
2. Raise the minimum hourly wage for employees working for local, national, or global companies in Tacoma with 150 or more employees to \$15 by 2020.

PROCESS AND TIMELINE:

Date	Hourly Minimum Wage: Organizations with 150 employees or more.	Hourly Minimum Wage Organizations with fewer than 150 employees.
January 1, 2016	\$ 9.77 (estimated)	\$ 9.77 (estimated)
July 1, 2016	\$11.00	\$11.00
January 1, 2017	\$12.00	\$11.50
January 1, 2018	\$13.00	\$12.00
January 1, 2019	\$14.00	\$12.50
January 1, 2020	\$15.00	\$13.00
2020	ASSESSMENT: City of Tacoma conducts an assessment of the impacts of the recent rise in the minimum wage on: a) small businesses and non-profits; b) minimum wage/low wage workers; and c) the city's economy in the context of Pierce County and the greater Puget Sound region.	
January 1, 2021	Previous Year + CPI increase *	\$13.50 (including CPI increase. If MHW is \$13.33 because of CPI, this program would raise it an additional \$0.17 to reach \$13.50)
2021	IMPLEMENT KEY FINDINGS: City of Tacoma and business, labor, and community partners review the assessment's findings to determine strategies and goals to address them. Tacoma City Council adopts some goals as policies to strengthen small, local businesses and others as policies that are part of the City's comprehensive campaign to reduce poverty.	
January 1, 2022	Previous Year + CPI Increase	\$14.00
January 1, 2023	Previous Year + CPI increase	\$14.50

January 1, 2024	Previous Year + CPI increase	\$15.00
January 1, 2025	Previous Year + CPI increase	\$15.00 + CPI increase

2026-2030 **PARITY:** Sometime during these five years the City would adjust the minimum wage of employees of small businesses to achieve parity by 2030 between the minimum hourly wages paid by small and large businesses.

** The State of Washington estimates the CPI will rise 2.4% annually. The City will follow the state methodology to calculate CPI. Given that in the future the State may use an improved index, Task Force members recommend the City of Tacoma follow such changes and remain consistent with the State's use of preferred practices.*

Proposal B

Proposal B was endorsed on June 25, 2015 by the following Task Force members: Kelly Chambers, Odette D’Aniello, Dennis Farrow, Reggie Frederick, Eric Hahn, and Russ Heaton.

GOAL:

Achieve a minimum hourly wage of at least \$12 for everyone working in Tacoma by 2019.

PROCESS AND TIMELINE:

Date	Hourly Minimum Wage:
January 1, 2016	\$10.25
January 1, 2017	\$10.75
January 1, 2018	\$11.25
January 1, 2019	\$12.00
2019	ASSESSMENT: City of Tacoma conducts an assessment of the impacts of the recent rise in the minimum wage on: a) small businesses and non-profits; b) minimum wage/low wage workers; and c) the city’s economy in the context of Pierce County and the greater Puget Sound region.
January 1, 2020 and continuing each year	Previous Year + CPI increase as per state law (which uses the CPI-W Index) *

** The State of Washington estimates the CPI will rise 2.4% annually. The City will follow the state methodology to calculate CPI. Given that in the future the State may use an improved index, Task Force members recommend the City of Tacoma follow such changes and remain consistent with the State’s use of preferred practices.*

Comparison Matrix

Year	Proposal A		Proposal B
	Large Businesses	Small Businesses	
2015			
2016	\$11.00*	\$11.00*	\$10.25
2017	\$12.00	\$11.50	\$10.75
2018	\$13.00	\$12.00	\$11.25
2019	\$14.00	\$12.50	\$12.00
2020	\$15.00	\$13.00	<i>Previous Year+CPI</i>
2021	<i>Previous Year+CPI</i>	\$13.50	<i>Previous Year+CPI</i>
2022	<i>Previous Year+CPI</i>	\$14.00	<i>Previous Year+CPI</i>
2023	<i>Previous Year+CPI</i>	\$14.50	<i>Previous Year+CPI</i>
2024	<i>Previous Year+CPI</i>	\$15.00	<i>Previous Year+CPI</i>
2025	<i>Previous Year+CPI</i>	<i>Previous Year+CPI</i>	<i>Previous Year+CPI</i>
2026	<i>Previous Year+CPI</i>	<ul style="list-style-type: none"> • Sometime during 2026 - 2030, the City would adjust the minimum wage of employees of small businesses to achieve parity between the minimum hourly wages paid by small and large businesses. 	<i>Previous Year+CPI</i>
2027	<i>Previous Year+CPI</i>		<i>Previous Year+CPI</i>
2028	<i>Previous Year+CPI</i>		<i>Previous Year+CPI</i>
2029	<i>Previous Year+CPI</i>		<i>Previous Year+CPI</i>
2030	<i>Previous Year+CPI</i>		<i>Previous Year+CPI</i>

*Begins 7/1/2016

Letter in Support of Proposal A

June 29, 2015

Mayor Marilyn Strickland
Tacoma City Council
747 Market Street, 12th Floor
Tacoma, WA 98402

Dear Honorable Mayor Strickland and City Council Members,

It has been an honor to serve the citizens of Tacoma on the minimum wage task force this past month. Though the time was short, our conversations as a group of concerned citizens were thoughtful, enlightening and, at times, a bit tense. Minimum wage is a hotly debated national and local issue. Tacoma should be congratulated for joining this important policy conversation and fully considering what it means to both employees and employers.

With fifteen members and two alternates on the task force, it was unlikely we would all agree on everything, but those of us that agreed to this proposal did agree upon a few pillars to guide our work: Whatever is passed needs to be simple and easily enforced; and all workers (those covered by a collective bargaining agreement or not) should be treated the same. Our proposal is as follows:

GOALS:

- 1) Achieve a minimum hourly wage of at least \$15 for everyone working in Tacoma by 2024.
- 2) Raise the minimum hourly wage for employees working for local, national, or global companies in Tacoma with over 150 employees to \$15 by 2020.

PROCESS AND TIMELINE:

Date	Hourly Minimum Wage: Organizations with 150 or more employees	Hourly Minimum Wage: Organizations with fewer than 150 employees
January 1, 2016	\$ 9.77 (estimated)	\$ 9.77 (estimated)
July 1, 2016	\$11.00	\$11.00
January 1, 2017	\$12.00	\$11.50
January 1, 2018	\$13.00	\$12.00
January 1, 2019	\$14.00	\$12.50
January 1, 2020	\$15.00	\$13.00

ASSESSMENT: During 2020, the City of Tacoma assesses the impact of the recent rise in the minimum wage on: a) small businesses and non-profits; b) minimum wage/low wage workers; and c) the city's economy in the context of Pierce County and the greater Puget Sound region.

January 1, 2021 Previous Year + CPI increase * \$13.50 (including CPI increase. If MHW is \$13.33 because of CPI, this program would raise it an additional \$0.17 to reach \$13.50)

IMPLEMENT KEY FINDINGS: During 2021, the City of Tacoma and business, labor, and community partners review the assessment findings to determine goals and strategies to address them. The Tacoma City Council adopts some goals to strengthen small, local businesses and others as part of the City’s comprehensive campaign to reduce income inequality and improve the quality of life for Tacoma residents.

January 1, 2022	Previous Year + CPI Increase	\$14.00
January 1, 2023	Previous Year + CPI increase	\$14.50
January 1, 2024	Previous Year + CPI increase	\$15.00
January 1, 2025	Previous Year + CPI increase	\$15.00 + CPI increase

Sometime during 2026-2030 the City would adjust the minimum wage of employees of small businesses to achieve parity by 2030 between the minimum hourly wages paid by small and large businesses.

** Similar to the State of Washington, CPI should be calculated as a 12-month average (September to September) and added in the following January. However, we leave it up to the city to verify with the state regarding their CPI calculations and follow their adopted practice, including the use of an improved index at some point in the future.*

RATIONALE

This proposal is simple and easy to understand. Beginning in July 2016, all employers increase wages to \$11. The following January, large employers increase wages by \$1.00 annually until \$15 per hour is reached in 2020, and small businesses increase their wages by \$0.50 annually until \$15 per hour is reached in 2024. These increases are simple and predictable for both workers and businesses. After these target years, the CPI is applied annually to minimum wages.

This proposal is measured and phased in appropriately for large and small businesses. Large businesses can afford to move their wages at a faster rate than our locally owned businesses. The slower phase-in for smaller businesses will give non-profits and local businesses enough time to adjust and realize the benefits of the economic boost that increasing wages will provide to the community.

When workers have more money, they spend it in local economies. Increased disposable income for workers translates to increased spending and boosting the economy, benefiting both employees and employers.

FINAL STEPS

This proposal should be refined by the City. For example, the definition of large vs. small business needs finalizing. For simplicity, we have used the threshold of 150. However, task force members supporting this proposal would like the City to decide what a logical threshold might be. Other issues to consider may include local franchisees and student employment.

CONCLUSION

This proposal represents a true compromise. It avoids both the drastic and immediate shift to \$15 an hour, and the minimalist approach to increasing minimum wage, while respecting businesses' desire for a reasonable and predictable phase of reaching the goal of \$15 an hour in a reasonable time frame. It also acknowledges the importance of allowing small and locally owned businesses to adjust to the increasing minimum wage over a longer timeframe. While taking a tempered approach to businesses, this proposal begins to meet the growing needs of Tacoma's low-wage workforce, whose improved quality of life is surely one of main goals of urban governance in Tacoma. For these reasons, as well as remaining consistent with the established goals and consensus of the Task Force, we believe this to be a reasonable compromise.

Sincerely,

Sarah Cherin
Pastor Gregory Christopher
Michelle Douglas
Liz Dunbar
Dr. Ali Modarres
Abranna Romero Rocha
David Strong
Robert Taylor
Brenda Wiest

Letter in Support of Proposal B

June 29, 2015

Honorable Marilyn Strickland, Mayor of Tacoma
Honorable Members of the Tacoma City Council

It has been an honor serving on Tacoma's Minimum Wage Task Force this past month. These meetings have been enlightening, fun and stressful. One of our tasks is to come to consensus on a proposal. At the meeting on June 22, 2015, participants recognized that reaching a consensus may be difficult in the remaining meetings.

In these meetings, we have discussed many times that Tacoma is not Seattle, with data from the University of Washington and analysis of median income and rental costs reinforcing those differences. Yet Proposal A would lead to a higher minimum wage for some businesses in Tacoma than if the same organizations were located in Seattle. This is a result of both a more rapid increase in the minimum wage and many more businesses falling into the "large business" category. After all the data presented about Tacoma's economy and working population, we don't believe it makes any sense to recommend putting Tacoma at a competitive disadvantage in Pierce County and Washington State, let alone against Seattle.

We also believe that compromise entails an approach that "meets in the middle", and reflects the true economic conditions in Tacoma. While many believe that the current minimum wage acts as a great starting point for many employees, we have been accepting of alternatives to this position for some time now.

For most employees, they receive much more than base wages as part of their compensation. This was highlighted by the University of Washington economists early in the process. This also means a business's expenses are much more than base wages. With this in mind, the current minimum wage works well for many employees and businesses – including employees who receive other forms of compensation such as health insurance, retirement programs, tips, meals, commissions, and the like.

However, the business community has been open to a discussion about raising the minimum wage. The businesses around the table with the task force have even been willing to ignore these other forms of compensation to arrive at a simple, logical solution that everyone can rally around, per Mayor Strickland's direction. Unfortunately, we are running out of time to reach such a solution.

Accordingly, we have made as much progress as we can in the very limited time given to us. With this in mind, we would like to formally propose that Mayor Strickland and the City Council of Tacoma put on the ballot in November 2015 a \$12 per hour formula as the following:

- \$10.25 per hour on January 1, 2016
- \$10.75 per hour on January 1, 2017
- \$11.25 per hour on January 1, 2018
- \$12.00 per hour on January 1, 2019

Starting January 1, 2020, we are proposing that the minimum wage adjust annually per state law (which uses the CPI-W index).

The benefits of this proposal are:

1. It's simple to understand and administer. There are no complicated exemptions, classifications, or distinctions created by the proposal.
2. It reflects the difference in the economies of Seattle and Tacoma. Tacoma's cost of living is only 83 percent of Seattle's.
3. It will result in increased wages for the targeted workers. The lowest income workers will see increased wages of over \$5,000 per year.
4. Businesses have time to plan and adjust to the wage change. Reasonable phase-ins minimize job losses.
5. There are no mandated changes after 2019 other than those necessary to adjust for price changes. This allows the Council & community to evaluate the positive and negative impacts of the increase before deciding to make any additional changes.

The proposal reflects significant compromise – it does not include important training wage, health care, retirement or total compensation (tips) elements that many believe are critical.

Additionally, it makes no distinctions between large and small businesses – we believe every business should compete on a level playing field. Moreover, we don't believe that workers should be treated differently simply due to the size of company that they choose to work for. Finally, any distinction based on number of employees or financial metrics are purely political, as no rational analysis has been proposed. Choosing to discriminate based on the size of an organization will undoubtedly have unintended consequences.

As we look at the proposals, we need to be mindful that even our proposal will put Tacoma businesses at a competitive disadvantage with neighboring communities like Fife and Federal Way. Nonetheless, we believe that if a local minimum wage is necessary, a term-limited modest approach is an appropriate policy for the City to start with. They can certainly opt to change it over time if the situation warrants.

We know we cannot fully predict the impacts to the local economy 5 years out, let alone ten-plus years from now. As the City looks to adjust the minimum wage, we encourage them to state clearly what they hope to accomplish in advance, so we, as a community, can determine if those goals are met. Then, if appropriate, the community can always make additional changes down the road as the need arises.

We feel a \$2.53 raise in the minimum wage to \$12 per hour is a Tacoma-sized solution.

Respectfully,

Kelly Chambers
Odette D'Aniello
Dennis Farrow
Reggie Frederick
Eric Hahn
Russ Heaton

Mutual Interests and Points of Consensus

At their first meeting on May 28, 2015, the Task Force members agreed that they share nine interests. These interests are principles or goals that guided them in addressing the issue of raising the minimum wage in Tacoma.

- Produce recommendations that are based on data and facts.
- Improve the quality of life for Tacoma's residents.
- Ensure the city's economy is strong, healthy, vibrant, and diverse.
- Produce recommendations that are fair, equitable, and balanced.
- Produce recommendations that anticipate and prepare for the longer-term future.
- Produce recommendations that address Tacoma's specific issues, strengths, challenges, and circumstances.
- Make the solutions as simple and efficient to implement as possible.
- Take into account the hidden costs of addressing or not addressing the issue.
- Anticipate, identify, and avoid unintended consequences.

At the meeting on June 11, 2015, the Task Force members identified five points of consensus among them. These, too, influenced their initial and final proposals. They are:

1. Increases in the minimum hourly wage should be incremental and phased in over time until the goal is reached.
2. Once the goal has been reached, the minimum hourly wage should increase annually based on the Consumer Price Index (CPI) or another appropriate index.
3. Tacoma should allow the credits and exemptions in its minimum wage policy that the State of Washington currently allows. For example, young people ages 15 and 16 may be paid 85% of the state's minimum wage under existing state law. (In 2015 the law allows these young workers to be paid \$8.05 per hour because the current minimum wage is \$9.47.)
4. The Task Force's recommendations to Mayor Strickland and the City Council should be as clear and simple as possible in contrast to the initiative that will appear on the November 2015 ballot.
5. Additionally, recommendations submitted to the Mayor and Council should be as clear and simple as possible to minimize the costs of administration and enforcement.

Key Findings

At the Task Force's meetings on June 1 and June 4, Dr. Ali Modarres, the Director of the UW Tacoma's Urban Studies Program and a Task Force member, provided data and information to help create a demographic profile of Pierce County and a profile of minimum wage workers in the county.

Two University of Washington Tacoma economists hired by the City to assist the Task Force, Dr. Katie Baird, Associate Professor of Economics, Politics, Philosophy, and Public Affairs at the UW Tacoma, and Dr. Doug Wills, an Associate Professor of Economics at the Milgard School of Business, presented a paper that offered questions for the Task Force's consideration about the potential economic impacts of raising the minimum wage. They emphasized that different values and value judgments will guide the discussion more than data. Dr. Baird urged the Task Force to consider the various tradeoffs when making its recommendations. One of Dr. Wills' key points was that data will not yield easy answers but can provide a sense of how raising the minimum wage could affect both business and labor.

The summaries of the presentations are part of the final summaries of the Task Force meetings on June 1 and June 4 and are included in the Appendix of this report.

The Task Force's Process

The Tacoma City Council established the Minimum Wage Task Force on May 5, 2015 when it adopted Resolution 39187. (A later resolution, 39194, expanded the Task Force's membership from thirteen to seventeen members by adding two Task Force members and two alternates.) The Council established the deadline of June 30, 2015 for the Task Force to develop recommendations to submit to the City.

Between May 19 and May 27, facilitator Jim Reid interviewed each Task Force member. Fifteen of the interviews were face-to-face meetings; the other two interviews were conducted by telephone. The interviews lasted between twenty-five and seventy-five minutes, with an average length of forty-five minutes.

Jim asked the Task Force members about their interests in the minimum wage issue and in this process. From these interviews Jim identified what he believed he heard were the mutual interests of the Task Force members. This list of nine mutual interests was discussed and approved by the Task Force at its first meeting on May 28, 2015.

The Task Force met eight times between May 28 and June 29 for a total of nearly eighteen hours. An indication of the Task Force members' commitment to the process was that 80% of the members attended all eight meetings or seven of the eight. This is particularly noteworthy because there were weeks during which the Task Force met twice for a total of five to six hours, and because many of the members had family and professional commitments that caused potential conflicts but could not be changed. At some meetings one or two Task Force member participated by telephone to balance those commitments with their commitment to this process. On top of all these activities, the US Open at Chambers Bay in mid-June was a temptation, but failed to lure away any members from the meetings.

(A note about participation: Two Task Force members dropped out early in the process because their professional commitments prevented them from attending the meetings.)

In addition, individual members of the Task Force reached out to their colleagues, associates, constituents, and friends to ensure they accurately represented and reflected the needs and concerns of their communities. During the process the facilitator also met with individual Task Force members or small groups to assist them in a variety of ways.

Task Force members were also very interested in hearing from the public. Because of the compressed time period the Task Force was given to complete its mandate, the members agreed at the first meeting to not hear public comments at their meetings, but to establish an efficient way for citizens, business owners, the representatives of special interest groups, and other interested people to communicate with them. City staff established an email address by which the public could communicate in writing to the Task Force. Every week the comments from citizens were bundled and delivered to the Task Force members for their review and consideration. Furthermore, as the process evolved dozens of citizens called Task Force members directly to voice their opinions. Throughout the meetings Task Force members referred to their conversations with their constituents and fellow citizens.

Beginning with their third meeting on June 4, 2015, the Task Force began to develop alternatives or options for raising the minimum wage. By the last full week of its deliberations, two proposals were "on the table." Task Force members worked to understand them and find the commonalities in them. In the end, they agreed to submit two proposals to the Mayor and Council.

The Staff Team

City of Tacoma staff support of the Minimum Wage Task Force was provided by:

- Tadd Wille, Budget Director, Office of Management and Budget
- Andy Cherullo, Finance Director, Finance Department
- Christina Watts, Management Analyst, Office of Management and Budget
- Jared Eyer, Management Analyst, Office of Management and Budget
- Martha Lantz, Deputy City Attorney
- Chris Bacha, Deputy City Attorney

Two economists from the University of Washington Tacoma also provided information and data that assisted the Task Force. They were:

- Dr. Katie Baird, Associate Professor of Economics, Politics, Philosophy, and Public Affairs
- Dr. Doug Wills, Associate Professor of Economics at the Milgard School of Business

In addition, one of the Task Force members, Dr. Ali Modarres, Director of the Urban Studies Program at the University of Washington Tacoma, provided valuable data and information about the demographics of Tacoma and Pierce County.

Finally, the facilitator of the process was Jim Reid of The Falconer Group.

Appendix

The Minimum Wage Task Force Final Report Appendix is a separate document from this report. The Appendix includes all documents and information presented to the Minimum Wage Task Force as well as meeting records.

The Appendix can be viewed at cityoftacoma.org/minimumwage and includes all the documents listed below.

Task Force Work Plan and Ground Rules

- Minimum Wage Task Force Work Plan
- Minimum Wage Task Ground Rules

Meeting Materials

May 28, 2015

- May 28 Agenda
- May 28 Meeting Summary
- Public Meetings Presentation
- 15 NOW Tacoma Initiative
- Minimum Wage Ordinance Comparison Summary Matrix
- Minimum Wage Ordinance Comparison Report

June 1, 2015

- June 1 Agenda
- June 1 Meeting Summary
- Economic Consultant Presentation
- Questions to Consider
- Dr. Modarres Presentation Slides
- Table – Occupations Below \$15

June 4, 2015

- June 4 Agenda
- June 4 Meeting Summary
- Possible Elements of Alternatives
- Elements of Alternatives Brainstorm

June 11, 2015

- June 11 Agenda
- June 11 Meeting Summary

June 18, 2015

- June 18 Agenda
- June 18 Meeting Summary

June 22, 2015

- June 22 Agenda
- June 22 Meeting Summary
- Proposal Matrix as of June 22, 2015
- Combo Proposal as of June 22, 2015
- Seattle Minimum Wage Schedules

June 25, 2015

- June 25 Agenda
- June 25 Meeting Summary

June 29, 2015

- June 29 Agenda
- June 29 Meeting Summary

Information Requests

- History of Washington Minimum Wage
- Washington State Minimum Wage Administrative Policy
- HB 1355 Materials
- Study – Minimum Wage Effects Across Borders
- Study – Congressional Budget Office
- Summary Findings from Seattle
- Tacoma Minimum Wage Data
- Tacoma Minimum Wage Jobs
- Tacoma Residents by Wages
- Wage Indexation

Public Comment Reports

- June 15, 2015 Public Comment Report
- June 18, 2015 Public Comment Report
- June 25, 2015 Public Comment Report