



TO: Elizabeth Pauli, City Manager
FROM: Sergio C. Flores, Program Manager, Employment Standards Office
Andy Cherullo, Director of Finance
COPY: City Council and City Clerk
SUBJECT: Minimum Wage Study
DATE: October 30, 2018

SUMMARY:

In 2015, the City Council adopted Tacoma Municipal Code (TMC) Title 18.20 - Minimum Wage law. As part of that law, there is language directing the City Manager to make a proposal for a study to assess the impacts of Tacoma's Minimum Wage Law. The purpose of this memorandum is to recommend to the City Council that a minimum wage study not be conducted and that the language requiring the study be stricken from the Ordinance. The basis for this decision is as follows: (1) there is minimal difference between the state minimum wage and the City minimum wage; (2) state Initiative 1433 has impacted the City's Minimum Wage law, but that impact would be difficult to determine and that would make the study of Tacoma's minimum wage difficult; (3) it is projected that by 2020 the State's minimum wage will supersede the City's minimum wage; and (4) a study could potentially be costly to the City and is currently not budgeted.

STRATEGIC POLICY PRIORITY:

The recommendation to remove TMC 18.20.080 and to not conduct the minimum wage study encourages and promotes an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

In 2015, the City Council adopted a minimum wage law for the City of Tacoma (Tacoma Municipal Code (TMC) Title 18.20). As part of that law, there is language directing the City Manager to prepare a proposal for a study to assess the impacts of Tacoma's Minimum Wage Law (see excerpt below).

TMC 18.20.080:

The City Manager is directed to prepare and present a proposal in year 2018, and every two years thereafter, to the City Council for a study to assess the impacts of the increase in the minimum wage upon, (a) small businesses, (b) minimum/low wage workers, and (c) the City's economy in the context of Pierce County and the greater Puget Sound region. The assessment is intended to be used by the City and business, labor, and community partners to determine strategies and goals to address the findings of the assessment, and for the City Council to consider adoption of identified goals as policies to strengthen small, local businesses and others, to develop policies that are part of the City's comprehensive campaign to reduce poverty.

In 2016, Washington voters passed Initiative 1433 which increased the statewide minimum wage. Given that Tacoma acted before the state to raise the minimum wage, initially, there was a greater difference between Tacoma's minimum wage and the state's. However, that gap has rapidly closed. Currently, there is only a .50-cent difference between the State's minimum wage and the City's. In 2016, there was a .88-cent difference, and in 2017 a .15-cent difference. By 2019 the difference between the State and City's minimum wage will be .35 cent difference. By 2020, the State's minimum wage will be \$13.50, which is estimated to supersede Tacoma's minimum wage.

**ISSUE:**

In 2015, when City Council adopted the Minimum Wage ordinance, City Council did not know that (a) Initiative 1433 would pass in 2016, or (b) the State and City's minimum wages would be similar in rate from 2017 to 2019, and that in 2020 the State's rate would most likely supersede the City's rate.

The purpose of the language in TMC 18.20.080 was, in part, to look at what impact minimum wages may have on low income workers, small businesses and the Pierce County economy. Now that there is a state-wide minimum wage in effect, it may be difficult to accurately assess the impact the City's minimum wage has had on small businesses, low waged workers, and the regional economy because of the smaller difference in wages between the State and City.

ALTERNATIVES:

The City could conduct a minimum wage study similar to other jurisdictions. The City of Seattle (Seattle) and the City of San Francisco (San Francisco) have been subjects of a minimum wage study to assess similar impacts to their cities, businesses, workers, and their regions. Local universities, University of Washington (UW) and University of California Berkeley (UC Berkeley) respectively, did both studies independently.

Seattle's minimum wage study cost approximately \$800,000, with the City of Seattle contributing approximately \$347,000. The financial contribution by the City of Seattle does not take into account the City's staff hours spent on the study. The UW, partnering organizations, and grants paid the remaining costs. The duration of conducting the study took over a year and does not include the pre-planning phase of creating the coalition of stakeholders and funders.

UC Berkeley conducted studies of San Francisco's Minimum Wage and Paid Sick Leave independently at no cost to the city. After the local minimum wage law passed in 2003, researchers from UC Berkeley's Institute for Research on Labor and Employment were interested in studying the impact of the law and were able to conduct research without funding from the City and County of San Francisco. UC Berkeley published the study in 2007. The City of San Francisco has not commissioned studies about the impact of the San Francisco Minimum Wage Ordinance.

If the City of Tacoma were to conduct a minimum wage study, staff would need to:

- Create a plan of action and move forward quickly.
- Find partnerships with local universities that can undertake the study.
- Identify funds within the budget to pay for all or a portion of the study.

RECOMMENDATION:

Staff recommends that the City not perform a study in 2018 given that: (1) there is minimal difference between the state minimum wage and the City minimum wage; (2) Initiative 1433 has impacted the City's Minimum Wage law, but that impact would be difficult to determine and that would make the study of Tacoma's minimum wage difficult; (3) it is projected that by 2020 the State's minimum wage will supersede the City's minimum wage; and (4) a study could potentially be costly to the City and is currently not budgeted. Further, it is recommended that TMC 18.20.080 be amended to remove the minimum wage study language.

FISCAL IMPACT:

There is no fiscal impact.