



EAST PALO ALTO CITY COUNCIL STAFF REPORT

DATE: November 7, 2023
TO: Honorable Mayor and Members of the City Council
VIA: Melvin E. Gaines, City Manager
BY: Amy Chen, Director of Community & Economic Development
SUBJECT: Clarification on the City's Local Minimum Wage

Recommendation

Adopt a resolution:

1. To rectify an accounting error, authorizing the recalculation of the Local Minimum Wage to \$17.00 per hour for all employers in East Palo Alto, California to be effective January 1, 2024, consistent with Section 5.10.030.B of the East Palo Alto Municipal Code, to ensure that the minimum wage increase is rounded to the nearest nickel; and
2. Directing staff to finalize and distribute an updated bulletin concerning the change to employers in the East Palo Alto, California.

Alignment with City Council Strategic Plan

This recommendation is primarily aligned with:

- Promote Housing, Economic and Workforce Development

Background

On September 1, 2020, the City Council adopted an ordinance, set forth as Attachment 2 to this staff report, a Local Minimum Wage Ordinance (LMWO), codified as East Palo Alto Municipal Code Section 5.10.010 et seq., of \$15 per hour for all employers in the City of East Palo Alto to be effective January 1, 2021. Each year the hourly rate increases are adjusted annually by the Consumer Price Index (CPI).

CONSENT ITEM 3.1

On October 3, 2023, the City Council adopted a resolution confirming the Local Minimum Wage was increased to \$17.10, effective January 1, 2024. The City created a webpage to describe the adopted Ordinance and to make updated materials available online (Webpage link: <https://www.ci.east-palo-alto.ca.us/econdev/page/local-minimum-wage>).

The purpose of this staff report is to notify City Council of a need to recalculate the minimum wage and to provide clarification on calculating the annual increase. Staff requests authorization to post an updated flyer with the recalculated minimum wage.

Analysis

An escalator was built into the LMWO so that the hourly wage can be simply updated each year. Section 5.10.030.B of the East Palo Alto Municipal Code provides:

“Beginning on January 1, 2022, and each January thereafter, the minimum wage shall increase by a percentage amount equal to the prior year's increase, if any, in the Consumer Price Index (CPI) for San Francisco-Oakland-San José, as determined by the United States Department of Labor. The change shall be calculated by using the August to August change in the CPI to calculate the annual increase, if any, and *rounded to the nearest nickel*. A decrease in the CPI shall not result in a decrease in the minimum wage.”

For the past three years, Staff utilized Generally Accepted Accounting Principles (GAAP) to round the annual increase up or down rather than the ordinance reference to rounding to the nearest nickel.

The Local Minimum Wage for the last three years has been recalculated using the correct ordinance reference: *round to the nearest nickel*. Staff requests authorization to post updated flyers with the recalculated minimum wage for the past three years.

Calendar Year	Original	Recalculated Wage
2021	\$15.00	N/A
2022	\$15.60	\$15.55
2023	\$16.50	\$16.45
2024	\$17.10	\$17.00

Next Steps

The City must publish and make available to employers an updated bulletin notice announcing the recalculated minimum wage rates for 2022, 2023, and 2024. Please see draft bulletin notice for 2024 under Attachment 3 of this staff report. Although only the bulletin for 2024 is attached, city staff will correct all notices even though those years have passed to ensure a clear public record of the local minimum wage is corrected. Staff are drafting outreach materials to inform the business community and other stakeholders of the new requirements related to the LMWO.

Fiscal Impact

There is no fiscal impact associated with the contents of this staff report.

Public Notice

The public was provided notice by making the agenda and report available on the City's website and on a bulletin board located at City Hall: 2415 University Avenue, East Palo Alto.

Environmental

The action being considered does not constitute a "Project" within the meaning of the California Environmental Quality Act (CEQA), pursuant to CEQA Guideline section 15378 (b)(5), in that it is a government administrative activity that will not result in direct or indirect changes in the environment.

Attachments

1. Resolution
2. Local Minimum Wage Ordinance
3. DRAFT Updated LMWO Noticing Materials for 2024