



County of San Mateo

Inter-Departmental Correspondence

Department: BOARD OF SUPERVISORS
DISTRICT 3
File #: 22-781

Board Meeting Date: 10/18/2022

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Supervisor Dave Pine, District 1
Supervisor Don Horsley, District 3

Subject: Study Session: Proposed Minimum Wage Ordinance for Unincorporated San Mateo County

RECOMMENDATION:

Receive staff report regarding proposed minimum wage ordinance, receive public input regarding proposed minimum wage ordinance, and direct staff to develop and present to the Board of Supervisors for its consideration a Minimum Wage Ordinance.

BACKGROUND:

Presently, San Mateo County does not have an ordinance setting a minimum wage in the unincorporated area. Therefore, employers are required to pay the minimum wage mandated by the State of California. Pursuant to Section 1182.12 of the California Labor Code and with certain limited exceptions (e.g., no minimum wage required of employee family members, apprentices, etc.), the minimum wage in California is currently \$14 per hour for employers with 25 or fewer employees and \$15 per hour for employers with 26 or more employees.

The Legislature amended and increased the California minimum wage in 2016 by adopting Senate Bill (SB) 3 (Leno). The law phased in annual increases beginning in 2017, with an end goal of increasing the minimum wage from \$10 to \$15 per hour. The minimum wage for employers with 26 or more employees increased to \$15 per hour at the beginning of 2022 and to \$14 per hour for smaller employers with 25 or fewer employees, with the minimum wage for such small employers scheduled to increase to the same rate as that payable to employees of larger employers at the beginning of 2023.

SB 3 also provides for subsequent adjustments to the State minimum wage based on increases to the U.S. Consumer Price Index (U.S. CPI-W), subject to a 3.5% annual cap.

In July 2022, the California Department of Finance certified that given the rate of inflation during the

2021-2022 fiscal year and the increase to the U.S. CPI-W, the hourly minimum wage will increase to \$15.50 an hour for all employers regardless of size, effective as of January 1, 2023.

Building upon the foundation of SB 3, and in response to local conditions, many California jurisdictions have adopted ordinances that set minimum wages that exceed the mandated state minimum wage. For example, several cities within San Mateo County (representing roughly 70% of the County's population) have adopted ordinances raising the minimum wage more quickly and to a higher level than the State's. In 2023, cities within San Mateo County that have a minimum wage ordinance will have a wage within the range of \$16.07 to \$17.10. Most include an escalator with a cap on growth between 3% - 5%.

In contrast, unincorporated areas of the County are presently subject only to the mandated State minimum wage. Raising the minimum wage in the unincorporated areas of San Mateo County would create more consistency with local ordinances within San Mateo County cities as well as contribute to an elevated quality of life for those living and working in the unincorporated areas of the County.

PROPOSAL SUMMARY:

The proposal would require businesses operating in unincorporated areas of San Mateo County to pay a minimum wage of \$16.50 per hour for all employers, with an annual adjustment based on increases to the U.S. CPI-W and capped at 3.5 percent per year. Starting January 1, 2023, the State minimum wage will be \$15.50 per hour for all employers. This proposal creates consistency and ease of understanding, while ensuring that the County's minimum wage will stay higher than the State minimum wage over time.

Adoption of a minimum wage ordinance could include a transition period of approximately six months after adoption of the ordinance (i.e., the ordinance would go into effect on July 1, 2023) to allow for sufficient public outreach and for local businesses to adapt and prepare for the minimum wage increase. Following that period, the minimum wage in unincorporated communities would increase at the same pace as the State regardless of business size.

The initial minimum wage proposal presented to the Board on June 28, 2022, had a scaled approach that allowed businesses in the unincorporated areas of San Mateo County with 25 or fewer employees to pay a minimum wage rate of \$15.50, but after further analysis by staff it became a concern that the minimum wage scaled for employers with 25 or fewer employees may not keep pace with the State's minimum wage adjustments, resulting in the County ordinance setting a minimum wage that is lower than the State minimum wage.

As noted, as of January 1, 2023, the State minimum wage will be the same for all employers, regardless of size. The State law also includes an annually CPI-W adjusted wage with a cap of 3.5 percent. The revised proposal of a \$16.50 minimum wage starting point and annual escalation model would ensure that the County's minimum wage was consistently higher than the State's.

FISCAL IMPACT:

There is no anticipated impact to the general fund.