

MOTION

On Labor Day, Mayor Garcetti announced plans to set the City's minimum wage at \$13.25 an hour. Subsequently, a Motion was introduced in Council that seeks to achieve this benchmark by July 1st of 2017, and then tie further increases to the Consumer Price Index (CPI) for the Los Angeles region. The Motion instructed the Chief Legislative Analyst with the assistance of the City Administrative Officer to procure a study on how to further raise the minimum wage to \$15.25 an hour and ensure compliance with such a law.

As this policy will have a direct impact on approximately 600,000 workers in the city, it is critically important that the City Council have an independent analysis that evaluates how to constructively increase the minimum wage, while articulating the impacts on businesses, especially our neighborhood serving mom-and-pop, start-ups and small family-owned businesses as well as nonprofit organizations. Increasing the minimum wage should be done in a way that addresses the unique circumstances of nonprofits and small businesses and builds strength in our economy.

Small businesses are the backbone of the Los Angeles economy. They provide the majority of employment opportunities, contribute to the tax base and are one of the most important factors in what makes our neighborhoods unique. At a recent small business roundtable in Council District 13, ideas and concerns about the effects of City policies on these businesses were expressed and thorough analysis is needed to fully address these concerns as well as unintended consequences that could impact workers.

Nonprofits provide invaluable services to our communities and should also be carefully considered in this policy discussion. The core mission of nonprofits is to provide resources to diverse and vulnerable constituencies. Many of these nonprofits rely on reimbursement funding from State and Federal governments for providing services. These reimbursement rates do not increase when the minimum wage increases, and the increase may result in a decrease in services.

The proposal to be considered by the Council and Mayor would establish a minimum wage that will be significantly higher than the State's minimum wage requirements. The State recently raised the minimum wage to \$9 in July 2014 and will raise it again in January 2016 to \$10 an hour. The implications of this action at the State should be a factor in determining any City wage policy. Further, the proposal also recommends using the CPI as a means to determine automatic wage increases. Many European countries base their minimum wage requirements on half of the median income and this approach should also be considered and discussed.

Raising the minimum wage is one way to address income inequality and increase spending in the local economy. There are many options related to developing such a policy and they must be evaluated before the Council and Mayor move forward on such a significant matter.



WE THEREFORE MOVE that the City Administrative Office (CAO) - Office of Economic Analysis, with the assistance of the Chief Legislative Analyst (CLA) and the Economic Workforce Development Department, be instructed to procure an economic analysis of the minimum wage proposal, as referenced by Council Files: 14-1371 and 14-1371-S1, and include its effects on the local economy, employment opportunities, nonprofits, small businesses and any other unintended consequences including the reduction of worker benefits and hours; and

WE FURTHER MOVE that the CAO and CLA evaluate the pros and cons of categorical exemptions and other creative impact mitigations for specific industries with a special emphasis on nonprofits, alternative methods for measuring and implementing automatic wage increases, the establishment of a base and a ceiling on automatic wage increases, implementation timelines on the minimum wage ordinance, and criteria related to small businesses, including the allowance of counting the total taxable compensation towards the minimum wage and consideration of a slower phase in for the wage requirement; and

WE FURTHER MOVE that the CLA and CAO include in its report to the City Council how the citywide minimum wage will be monitored, implemented, and enforced.

WE FURTHER MOVE that the requested information be included in the study requested by CF: 14-1371 and 14-1371-S1.

PRESENTED BY: *Mitch O'Farrell*
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