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DATE: June 3, 2024

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Linda Le, Director of Human Resources  
Aman Kaur, Senior Human Resources Analyst

SUBJECT: Resolution Approving Adjustments to 1) the City of Petaluma's Living Wage Rate by Setting the Rate at \$18.95 Per Hour With an Employer Contribution Toward Medical Benefits and \$21.24 Per Hour Without an Employer Contribution Toward Medical Benefits for Fiscal Year 2024-2025; 2) the Pay Rates of City of Petaluma Part-Time Living Wage Positions; and if Approved, 3) the Pay Rates of Part-Time Positions Benchmarked to the City's Part-Time Living Wage Positions

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### **RECOMMENDATION**

It is recommended that the City Council adopt the attached Resolution Approving Adjustments to:

1. The City of Petaluma's Living Wage Rate by Setting the Rate at \$18.95 Per Hour With an Employer Contribution Toward Medical Benefits and \$21.24 Per Hour Without an Employer Contribution Toward Medical Benefits for Fiscal Year 2024-2025;
2. The Pay Rates of City of Petaluma Part-Time Living Wage Positions; and if approved,
3. The Pay Rates of Part-Time Positions Benchmarked to the City's Part-Time Living Wage Positions.

### **BACKGROUND**

The Living Wage Ordinance was approved and adopted by City Council and took effect on December 20, 2006. The Living Wage Ordinance (LWO) set minimum wages for the City and for covered entities contracting with the City. The Ordinance established an initial wage of \$11.70 per hour with an employer contribution of at least \$1.50 per hour per employee toward medical benefits, and \$13.20 per hour without contribution toward benefits.

Petaluma Municipal Code Chapter 8.36 (the Living Wage Ordinance), at Section 8.36.060(D) provides that the initial rate:

*“...shall increase annually on July 1, in accordance with any increase due to a cost of living adjustment for city employees, equal to the average cost of living adjustment (excluding equity pay increases) for all city nonsafety, nonmanagement employees as of the date of the most recent adjustment of the pay of nonsafety, nonmanagement employees, but no more than the most recent December to December Consumer Price Index for San Francisco-Oakland-San Jose (CPI-U), published by the Bureau of Labor Statistics.”*

The Ordinance also provides that the City Council may review the impact of the cost-of-living adjustment (COLA) on an annual basis to assess any potential adverse impact and may modify or suspend adoption of a COLA otherwise allowed by subsection 8.36.060(D). Pursuant to the Living Wage Ordinance, any adjustment would take effect on July 1.

Last year, based on the increase in the Consumer Price Index (CPI-U) for the San Francisco area, the City Council adopted Resolution No. 2023-092 N.C.S which increased the Living Wage rate by 4.9% percent effective July 1, 2023. The below table depicts a historical record of past annual increases to the living wage rate:

<b>History of Living Wage Adjustments</b>				
Living Wage with Medical Contribution				
Living Wage Rate	Medical Contribution Rate	Living Wage Rate without Medical Contribution	Effective	% Increase
\$11.70	\$1.50	\$13.20	12/20/2006	Established
\$11.70	\$1.50	\$13.20	2007	None
\$12.14	\$1.50	\$13.64	1/1/2008	3.30%
\$12.14	\$1.50	\$13.64	2009	None
\$12.46	\$1.50	\$13.99	7/1/2010	2.60%
\$12.65	\$1.50	\$14.20	7/1/2011	1.50%
\$13.02	\$1.50	\$14.61	7/1/2012	2.90%
\$13.31	\$1.50	\$14.93	7/1/2013	2.20%
\$13.66	\$1.50	\$15.32	7/1/2014	2.60%
\$14.03	\$1.50	\$15.73	7/1/2015	2.70%
\$14.48	\$1.50	\$16.23	7/1/2016	3.20%
\$14.99	\$1.50	\$16.80	7/1/2017	3.50%
\$15.47	\$1.50	\$17.34	7/1/2018	3.20%
\$16.17	\$1.50	\$18.12	7/1/2019	4.50%
\$16.57	\$1.50	\$18.57	7/1/2020	2.50%
\$16.90	\$1.50	\$18.94	7/1/2021	2.00%
\$17.61	\$1.50	\$19.74	7/1/2022	4.20%

\$18.47	\$1.50	\$20.70	7/1/2023	4.90%
*18.95	\$1.50	*\$21.24	7/1/2024	*2.60%

*\*Proposed*

Furthermore, only the City’s part-time classifications of Building Attendant, Marina Attendant, Tiny Tots Teacher I, and Ramp Attendant are subject to the Living Wage. However, other part-time positions are benchmarked to the City’s Living Wage positions and receive adjustments subsequently if an adjustment is approved. Benchmarked positions were last adjusted by 4.9% effective July 1, 2023<sup>1</sup>.

## **DISCUSSION**

The December 2022 to December 2023 change in the CPI-U for the San Francisco area is a 2.6 percent increase<sup>2</sup>. If a COLA is approved, the Living Wage will increase to \$18.95 per hour with an employer contribution toward medical benefits and \$21.24 per hour without that contribution.

Implementing a 2.6% COLA to the City’s part-time Living Wage positions will affect approximately 16 employees, and approximately 14 employees in part-time positions benchmarked to Living Wage positions. Together, these positions represent a combined 2023/24 payroll of approximately \$488,489. These amendments would increase the payroll by \$12,701 to \$501,190 when the adjustment is applied. In addition to impacts related to City staff, increases to the Living Wage will impact employers subject to the LWO, which may differ from the impacts of the City's Minimum Wage Ordinance, Petaluma Municipal Chapter 8.35. The types of employers subject to the LWO are specified in section 8.36.040 of the LWO. The City's Minimum Wage Ordinance, however, applies to all employers whose employees perform two hours of work or more within Petaluma City limits in a particular week. (Petaluma Municipal Code Section 8.35.010). Employers subject to both the LWO and the local Minimum Wage Ordinance are required to compensate employees at the higher applicable rate.

Subsequently, to maintain pay rate consistency among Living Wage positions and benchmarked positions that are related and/or similar, but not subject to the LWO, it is recommended that the City Council also grant these part-time positions the 2.6% COLA effective July 1, 2024. The affected City positions and rates of pay are listed in Exhibit A to the Resolution.

## **PUBLIC OUTREACH**

This agenda item was noticed in compliance with the California Brown Act.

## **COUNCIL GOAL ALIGNMENT**

This action aligns with the City Council Goal of “A City That Works For Everyone.” This

<sup>1</sup> In July 2023, the City Council approved a 4.9% increase to the Living Wage and a 12.1% equity adjustment, for a total adjustment of 17%, to the City’s part-time Living Wage positions as well as those benchmarked to these positions.

<sup>2</sup> [https://www.bls.gov/regions/west/news-release/consumerpriceindex\\_sanfrancisco.htm](https://www.bls.gov/regions/west/news-release/consumerpriceindex_sanfrancisco.htm)

objective includes recruiting, hiring, retaining, and advancing a workforce that is diverse, representative, skilled, talented, and prepared to meet the demands of a full-service City.

### **ENVIRONMENTAL REVIEW**

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378(b)(4), in that, approving this action does not meet CEQA's definition of a "project," because the action does not have the potential for resulting either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because this is a personnel-related action that constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

### **FINANCIAL IMPACTS**

A 2.6% COLA for impacted City staff, effective July 1, 2024, will result in a total estimated increased cost to the City in FY 2024 - 2025 of \$12,701. The estimated cost of adjusting the hourly wage of City of Petaluma Living Wage positions is \$5,896, and the estimated cost for those part-time positions benchmarked to the City's Living Wage positions is \$6,805. The General Fund's share of these costs is \$10,201.

### **ALTERNATIVES**

In recent years, the City has adjusted the Living Wage rate in accordance with the increase in the CPI-U for the San Francisco area; therefore, the recommendation is to adopt a rate using the change in CPI-U. However, if the Council prefers to adjust the Living Wage rate in accordance with the average COLA for nonsafety and nonmanagement employees, the rate, and subsequently the rates of related City part-time positions, will instead be adjusted by 3.0%.

1. **Adjust the Living Wage Rate, and subsequently the rates of related City part-time positions, in accordance with the average COLA for nonsafety and nonmanagement employees** – This will result in a 3% adjustment, approximately an \$14,655 increase to payroll, of which \$11,771 would be allocated to the General Fund.

### **ATTACHMENTS**

1. Resolution with Exhibit A (Pay Rate Schedule for Adjusted Part-Time Positions)