



Memorandum

TO: CITY COUNCIL

FROM: Mayor Chuck Reed

SUBJECT: MINIMUM WAGE INITIATIVE

DATE: May 21, 2012

Approved

A handwritten signature of Chuck Reed in black ink.

Date

5/21/12

RECOMMENDATION

Approve the staff recommendation to place the initiative on the ballot for November and let the voters decide whether or not to impose significant new costs on small businesses.

BACKGROUND

When the proponents circulated their petitions, those petitions were titled, "**INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS.**" The signature gatherers didn't say they were going to ask the City Council to skip the voters. The best course of action is to place this measure on the ballot and let the voters decide. That's what the people who signed the petitions asked for.

This initiative requires a new city bureaucracy to monitor minimum wage compliance. The estimated cost is \$650,000 per year. Some other service will have to be cut to pay for those efforts.

Under the California Election Code and city statutes, the Council has two options:

- 1) Place the initiative on the ballot – either at a special election or in November 2012.
- 2) Adopt the ordinance as written by the proponents in its entirety, without any changes or additions.

This ordinance was drafted outside San José's normal process, which would normally include conducting outreach to impacted residents and businesses, holding public hearings, listening to the various stakeholders and taking their concerns into account, thoroughly analyzing policy options, and working to reduce unintended consequences.

I've met with owners of mom-and-pop businesses who have said that if this ordinance is enacted, they will have to raise prices, cut staff and reduce repairs and maintenance contracts that they place with other San José small businesses.

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I've heard from small business owners who were in business in San Francisco when a minimum wage was adopted there. They raised prices, lost business and laid off workers.

I've heard from nonprofits who provide training to entry level workers that they will have to reduce services or shrink the available slots in their programs.

Some of these problems could be mitigated with modifications, but we cannot amend the proposed ordinance to address its flaws. We can place it before the voters and let them decide, and that is what we should do.