



**CITY OF SALINAS  
FINANCE COMMITTEE**

---

**DATE: FEBRUARY 3, 2020**

**DEPARTMENT: FINANCE DEPARTMENT**

**FROM: MATT N. PRESSEY, CPA, FINANCE DIRECTOR**

**TITLE: MINIMUM WAGE - COST ANALYSIS OF IMPLEMENTING \$15 PER HR. EARLY (BEFORE 2022)**

RECOMMENDED MOTION:

No motion is required for this item.

DISCUSSION:

Councilman Davis asked what it would cost to bring everyone up to the minimum wage today as if it were 2022.

Effective January 1, 2020, the state minimum wage for employees with 26 or more employees will increase to \$13 per hour from the current \$12. Legislation signed into law in 2017 by former Governor Jerry Brown requires California's minimum hourly wage to raise again by \$1 in January 2021 and annually thereafter until it reaches \$15.

Method: Took all the temp hours in FY 2018-19 (103,120 hours) and the cost for each temp (total of \$1,693,597), determined what wage they were at as of that year (average of \$16.42) and then did two calculations:

1. Gave everyone a raise equivalent to the \$1 dollar raise (this would represent the worst-case scenario if we wanted to maintain equity).
2. Gave only those who were less than the minimum.

As shown in the table below, the total cost of giving staff raises to keep pace with the minimum wage laws in California is \$67,937 for 2020 (\$13/hr.), \$39,804 for 2021 (\$14/hr.), and \$49,576 for 2022 (\$15/hr.), which totals \$157,311 for the three year period. Giving each of those employees a salary increases of \$15/hr. today is \$89,133 per year, or \$267,400 for the three-year period. It would cost the City \$110,089 more by paying \$15/hr. today versus increasing the wage rate incrementally each year over the next three years.

	<b>\$13</b>	<b>\$14</b>	<b>\$15</b>	<b>\$15</b>
	<b>1/1/2020 = \$13/hr.</b>	<b>1/1/2021 = \$14/hr.</b>	<b>1/1/2022 = \$15/hr.</b>	<b>1/1/2020 = \$15/hr.</b>
Gave everyone an equivalent raise	307,927	130,277	120,971	
Only if wage was less than new minimum	67,931	39,804	49,576	89,133
Difference	239,995	90,473	71,396	
Only if wage was less than new minimum	67,931	39,804	49,576	89,133
cumulation of each year's cost			157,311	267,400
			2022 (3 Yrs)	2022 (All 3 Yrs @ \$15)
				110,089

ATTACHMENTS:

None