



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 1/14/2025

To: Sonoma County Board of Supervisors

Department or Agency Name(s): County Administrator's Office

Staff Name and Phone Number: Yvonne Shu 565-1739, Christel Querijero 565-7071

Vote Requirement: Majority

Supervisorial District(s): Countywide

Title:

Adjustment to the Living Wage Hourly Rate

Recommended Action:

Adopt a Resolution to increase Sonoma County's Living Wage rate to \$23.15 per hour effective July 1, 2025.

Executive Summary:

On October 15, 2024, the Board of Supervisors considered a potential adjustment to the Living Wage hourly rate. Board direction to staff was to increase the hourly rate a new \$22.61 base wage rate (the County of Santa Cruz's current rate), to be increased by 2.4% (the October 2024 Consumer Price Index change for the San Francisco Area). This would result in an adjustment to the County's living wage of 28%, increasing it from the current \$18.10 per hour to \$23.15 per hour, effective July 1, 2025.

Discussion:

Background

The County's Living Wage Ordinance (LWO) first went into effect on January 1, 2016. Living Wage requirements are at the discretion of local jurisdictions and most commonly apply only as a condition of a government contract. A limited number of jurisdictions currently have a living wage ordinance. By contrast, minimum wage is a general law regulating all employment in a covered jurisdiction and must be paid by all employers in a jurisdiction; it is the lowest allowable rate of pay per hour that can be paid to an employee. With some exceptions, an employer must follow the highest applicable rate for their employees.

The County's LWO allows deductions to the hourly rate, as follows:

- Credit of \$1.50 off the hourly rate, if a covered service contractor contributes to their employees' health care benefits or retirement plan;
- Credit of \$3.00 off the hourly rate, if a covered service contractor contributes to their employees' health care benefits and retirement plan.

On June 4, 2024, the Board of Supervisors approved amendments to the County's Living Wage Ordinance, including amending Sonoma County Code section 2-377(d) to require a discretionary review of the Living Wage hourly rate at least every four years (Attachment A). This discretionary review is separate from the annual, automatic cost of living adjustment (COLA) increase under the LWO. Adoption of today's Resolution would represent the first instance of a discretionary increase under the newly amended LWO; the next discretionary review would be required by June 2028.

Board direction at the [October 15, 2024, meeting <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6888957&GUID=A2F9FA2B-AFC5-4F01-B9AF-82D5F4D2CF6E&Options=&Search=>](https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6888957&GUID=A2F9FA2B-AFC5-4F01-B9AF-82D5F4D2CF6E&Options=&Search=>) was to pursue the proposed Option C, which was calculated by using County of Santa Cruz's current rate (\$22.61) and adding a placeholder 3.5% consumer price index (CPI) increase, which is now updated to be 2.4%. The County's Living Wage Ordinance utilizes the CPI rate published in October by the Bureau of Labor Statistics for the San Francisco Area for the annual COLA increase to the living wage rate, and the [CPI published in October 2024 <https://www.bls.gov/regions/west/news-release/ConsumerPriceIndex_SanFrancisco.htm>](https://www.bls.gov/regions/west/news-release/ConsumerPriceIndex_SanFrancisco.htm) was 2.4%.

For clarification, the proposed increase under this review action would be in lieu of, and not in addition to, the automatic adjustment based on the October 2024 CPI increase that otherwise would occur under the amended LWO.

Potential Impact

It is useful to consider several factors when contemplating a potential discretionary adjustment of the County's living wage rate, including:

- The current economic landscape, including the budget deficit at the state level and the decrease in County tax revenue
- Differences in how jurisdictions apply their respective living wage ordinances
- The County is mandated by the State of California to deliver services related to public health and social services, among others
- As this is the first occurrence of a discretionary review, any potential adjustment may be larger/more consequential than any future proposed discretionary adjustment

Any increase to the County's living wage rate will result in higher contract costs and impact the County's General Fund, which supports the operations of most County departments. Pursuant to Section V of Ordinance No. 6488, which amended the LWO, Department Heads, the Purchasing Agent, and the County Executive have delegated authority to make necessary changes to contracts subject to the LWO, to implement any increased hourly rate.

Staff cannot estimate the magnitude of the impact to the General Fund, as the estimate would require data that is unavailable - that is, data that is aggregated across departments and granular enough to capture individual, employee-level data by contractor.

However, two of the County's largest departments, Department of Health Services (DHS) and the Human Services Department (HSD), have provided estimated impacts based on the proposed increase. With state and federal funding not expected to increase, DHS conservatively estimates potential impact of the proposed increase to be up to \$16 million for current contracts, and HSD estimates potential impact of the proposed increase to be up to \$7 million for current contracts. These estimates could be overstated for a variety of reasons, including multi-year contracts, actual applicability of the LWO by contractor employee, and other exceptions.

As previously shared in the materials for the October 15, 2024 meeting, staff evaluated contractor-reported data from living wage form submissions from FY 2023-24 and found that 14 of 41 contractors listed at or just above the County's living wage rate were care facilities. A sampling of other services provided at the same pay

level included goat grazing, pest control, staffing services and towing. It should be noted, however, that many contractors represented in this data already pay above the County's living wage rate. Based on an analysis of FY 2023-24 spend data against Business Process Outsourcing (BPO) contracts, Public Infrastructure's Purchasing Division has estimated that a \$4.00 increase in the County's living wage rate of \$18.10 could result in \$1.5 million in additional costs for the set of contracts analyzed, or about a 20% increase in contract costs. These BPO's and contracts include janitorial, fleet repairs, auto parts, targeted grazing, sanitation services, veterans building management, and security services.

Community-Based Organizations (CBO's). While many CBO's already pay above the County's current living wage rate, they could be challenged to meet the living wage requirement should a significant adjustment be approved. Any increase to the living wage rate presents challenges because CBO contracts are often structured on a reimbursement basis. With each new contract or program, CBO's must calculate whether they can afford to front the costs to provide the community services that the County would later reimburse. For multi-year grants, CBO's are often required to project their budget, along with corresponding outcomes, at the start of the contract for the duration of the funding. Any increase to the hourly living wage rate during the term of a contract would affect those projections. Finally, CBO's frequently are required to present balanced budgets on contracts, but there is often a funding gap that must be filled through other means. Higher operating costs could impact the amount of actual service that can be provided by Safety Net providers.

A significant increase to the living wage rate could limit the services that CBO's provide to the community by reducing the number of people who could work on a given contract, shortening the contract duration, or a combination of both. Additionally, indirect cost limitations (e.g., overhead, administrative costs) specified in some contracts for Safety Net services would make working on behalf of the County more cost prohibitive, potentially resulting in a decrease in the number of partners willing to work on County contracts, putting the County's ability to meet its mandates at risk. A significant increase could also result in wage compaction for some CBO's.

County Employees. The LWO applies to County employees only as to the hourly rate; currently all applicable County employees are paid above the living wage rate. Since the October 15, 2024 meeting, County Human Resources has confirmed that the proposed increase could be accommodated either within current County pay scale structures or with minimal fiscal impact, dependent upon the outcome of labor negotiations associated with the increase. Human Resources also evaluated Countywide temporary staffing agency usage and identified that the potential impact of the living wage increase would be approximately \$16,000 in additional costs, if temporary agency staffing usage, in both job classes and hours, in 2025 is similar to 2024.

Implementation

Should the Board adopt the Resolution, new and existing contracts and LWO-covered transactions would be subject to the increased hourly rate of \$23.15 effective July 1, 2025. As needed, departments would work with affected contractors to amend contracts and work with their respective budget analysts to incorporate estimated contract increases into the annual budgeting cycle. Staff will work with County Purchasing and Departments to track potential impacts of the increase as feasible and to support communications as needed.

Strategic Plan:

N/A

Racial Equity:

Was this item identified as an opportunity to apply the Racial Equity Toolkit?

Yes

See racial equity analysis included with the [10/15/24 item <https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6888957&GUID=A2F9FA2B-AFC5-4F01-B9AF-82D5F4D2CF6E&Options=&Search=>](https://sonoma-county.legistar.com/LegislationDetail.aspx?ID=6888957&GUID=A2F9FA2B-AFC5-4F01-B9AF-82D5F4D2CF6E&Options=&Search=>)

Prior Board Actions:

- 10/15/24: Considered and provided direction on a potential periodic adjustment to the Living Wage hourly rate
- 06/04/24: Adopted an Ordinance to amend Sonoma County Code Chapter 2, Article XXVI, “Living Wage” (Second Read)
- 12/12/23: Adopted resolution to increase the Living Wage hourly rate by 2.8% to \$18.10.
- 06/12/23: Provided direction to staff on cost of living adjustment parameters. Established periodic LWO rate review. Confirmed initial draft of proposed amendments
- 04/18/23: Adopted an uncodified ordinance to allow for a supplemental increase of 2.26% to the Living Wage hourly rate, for the required Living Wage rate to be \$17.65 per hour, effective July 1, 2023. (Second Read)
- 12/6/22: Adopted resolution to increase the Living Wage hourly rate by 2.74% to \$17.25
- 12/14/21: Adopted resolution to increase the Living Wage hourly rate to \$16.75 and approved Living Wage Ordinance work plan

FISCAL SUMMARY

Expenditures	FY24-25 Adopted	FY25-26 Projected	FY26-27 Projected
Budgeted Expenses			
Additional Appropriation Requested			
Total Expenditures			
Funding Sources			
General Fund/WA GF			
State/Federal			
Fees/Other			
Use of Fund Balance			
General Fund Contingencies			
Total Sources			

Narrative Explanation of Fiscal Impacts:

Affected departments would need to incorporate estimated increases to contract amounts into the annual budgeting cycle.

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Staffing Impacts:			
Position Title (Payroll Classification)	Monthly Salary Range (A-I Step)	Additions (Number)	Deletions (Number)

Narrative Explanation of Staffing Impacts (If Required):

Attachments:

Attachment A: Sonoma County Ordinance 6488

Attachment B: Resolution

Related Items "On File" with the Clerk of the Board: