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Memo

To: Max Alper, North Bay Jobs with Justice
Marty Bennett, North Bay Jobs with Justice
Nicholas Peraino, SEIU Local 1021
From: Dr. Jeannette Wicks-Lim, Assoc. Research Professor
Political Economy Research Institute
University of Massachusetts-Amherst
Date: September 7, 2021
Re: Cost Estimates of Strengthening Sonoma County's Living Wage Ordinance

I. INTRODUCTION AND SUMMARY

At the request of the North Bay Jobs with Justice, I provide in this memo estimates of the potential cost increases to Sonoma County of strengthening its current Living Wage Ordinance (LWO) in the following ways[1]:

(1) **Raising the living wage rate** from its current $15.00 to $16.75, to take account of cost-of-living increases in the area through 2021.
(2) **Mandating 12 paid sick days** for workers covered by Sonoma County's LWO.
(3) **Expanding coverage** to include Sonoma County Fair temporary workers and workers at businesses operating at the county-owned Charles Schulz Airport.

Specifically, this memo provides estimates of the cost increases for the County of three specific combinations of these LWO expansions:

Table 1. Components of Cost Estimates for Three Proposed LWO Expansions

Cost estimates	Increasing living wage rate to $16.75	Mandating 12 paid sick days	Expanding coverage to include Fair and Airport workers
Cost estimate #1	X	X	
Cost estimate #2	X		X
Cost estimate #3	X	X	X

[1] As with all other memos and reports that I have provided analyzing Sonoma County LWO proposals, I prepared this memo with full and independent authority over its final contents. For background, I appended an abbreviated author biography at the end of this memo.

MAIN FINDINGS

Table 2 below provides a summary table of the estimated costs of strengthening Sonoma County's living wage ordinance (LWO). Overall, all three cost estimates represent modest cost increases for the County, in the range of 0.02 percent to 0.03 percent of the $1.9 billion FY2020-2021 total budget and 0.06 percent to 0.10 percent of the $591 million discretionary budget.[2]

Take for example the cost increase associated with strengthening the LWO on all three dimensions (Cost Estimate #3)—a higher mandated wage, the inclusion of paid sick days, and expanded coverage. These changes to Sonoma's LWO would directly raise costs to the County in the range of $108,000 ($87,000 to provide wage raises to County employees; $21,000 to provide for additional paid sick days). Additionally, I estimate that private employers with large service contracts with the County will pass on roughly $500,000 of their higher labor costs to the County. The Sonoma County Fair and the Sonoma County Charles Shulz Airport, on the other hand, will need to adjust to their higher labor costs—equal to about 3.7 percent and 0.3 percent of overall sales revenue—independent of any County funds, as they both operate as self-funded units.

In sum, I estimate that a higher mandated wage, the inclusion of paid sick days, and expanded coverage will potentially increase costs to the County in the range of $608,000, or about 0.03 percent of the County's total $1.9 billion budget for FY2020-2021 or 0.10 percent of its $591 million General Fund, the funds over which the County Supervisors have the greatest level of discretion.

Note that these figures are gross cost estimates that do not net out any potential cost savings. Employers can expect the paid sick leave benefit and higher wage rate to produce labor cost savings that can offset, partially, these labor cost increases. The labor cost savings include: (1) greater productivity among workers due to better health, reduced worker absenteeism and quicker recovery from illnesses; (2) higher worker morale; and (3) reduced worker turnover that lowers costs associated with recruiting, hiring, and training new workers. Estimating these labor cost savings are beyond the scope of this memo.[3] The cost figures in this memo, therefore, should be regarded as high-end estimates.

Additionally, the cost estimates provided in this memo should be viewed as rough approximations. The estimates are not meant to provide precise cost figures, but rather a strong indication of the order of magnitude of the costs to expanding Sonoma's LWO.

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[2] These figures are taken from the Sonoma County Adopted Budget for FY2020-2021.

[3] For a discussion of these potential employer cost savings see from the provision of paid sick days: "Valuing Good Health in California: The Costs and Benefits of the Healthy Families, Healthy Workplaces Act of 2008," by Vicky Lovell, Institute for Women's Policy Research Publication #B259, April 2008. Also see, "Valuing Good Health in Massachusetts: The Costs and Benefits of Earned Sick Days," by Kimberlee McKee and Jessica Milli, Institute for Women's Policy Research Publication #B382, September 2019. For a discussion of these potential employer cost savings see from raising the wage floor see: Arindrajit Dube, T. William Lester and Michael Reich. "Minimum Wage Shocks, Employment Flows, and Labor Market Frictions," *Journal of Labor Economics* 34:3, 2016.

For example, the precise figure for Cost Estimate #3 can be expected to be in the range of $608,000 but may not be $608,000 precisely. Put another way, the cost figure can be expected to be substantially less, *not more*, than $1 million.[4]

This range indicates that the cost to the County will be small relative to its budget: in the range of *less than one-twentieth of one percent* (0.05 percent) of the County's total $1.9 billion budget. This is especially true given that the cost figures do not net out labor cost savings that the affected employers should experience. In Section II that follows, I provide a detailed explanation of the methodology I used to generate the estimates presented in Table 2.

Table 2. Summary of Cost Increase to Sonoma County from Expanding the County's Living Wage Ordinance

Cost Estimate	(1) Direct costs to Employer	Costs to County (2) Level	Costs to County (3) % of $1.9 billion County total budget	Costs to County (4) % of $591 million County general fund
Cost estimate #1:				
Living wage raised to $16.75				
County employees	$87,000	$87,000	0.005%	0.015%
Service contract employees	$380,000	$285,000	0.015%	0.048%
12 paid sick days				
County employees	$21,000	$21,000	0.001%	0.004%
Service contract employees	$285,000	$215,000	0.011%	0.036%
Total	--	*$608,000*	*0.032%*	*0.103%*
Cost estimate #2				
Living wage raised to $16.75				
County employees	$87,000	$87,000	0.005%	0.015%
Service contract employees	$380,000	$285,000	0.015%	0.048%
Fair workers	3.7% of overall revenue	$0	0%	0%
Airport workers	0.3% of overall revenue	$0	0%	0%
Total	--	*$372,000*	*0.020%*	*0.063%*
Cost estimate #3:				
Living wage raised to $16.75				
County employees	$87,000	$87,000	0.005%	0.015%
Service contract employees	$380,000	$285,000	0.015%	0.048%
Fair workers	3.7% of overall revenue	$0	0%	0%
Airport workers	0.3% of overall revenue	$0	0%	0%
12 paid sick days				
County employees	$21,000	$21,000	0.001%	0.004%
Service contract employees	$285,000	$215,000	0.011%	0.036%
Fair workers	0.4% of overall revenue	$0	0%	0%
Airport workers	0.3% of overall revenue	$0	0%	0%
Total	--	*$608,000*	*0.032%*	*0.103%*

Source: See text for details.

[4] As a point of reference, note that Cost Estimate #3, as a share of the County's total budget (0.03 percent), is smaller than the County staff's estimate of the original LWO ordinance proposed in 2015 ($980,000 or 0.07 percent of FY2015-2016 total budget of $1.4 billion. For a copy of the County's estimate see Appendix A.

II. DETAILED MEMO ON METHODOLOGY

A. DATA SOURCES

The estimates I provide in this memo are based largely on publicly available data published by the U.S. Labor Department and the U.S. Census. Some County data has been provided by Sonoma County staff at the request of Nicholas Peraino, SEIU 1021. I approximate other County data, for example, on the relative size and types of County service contracts using estimates in my 2014 PERI report, "An Assessment of the Fiscal Impact of the Proposed Sonoma County Living Wage Ordinance."[5] I do not update these data due to time constraints and limitations of the data provided by the County to date. I also compare my estimates, when possible, to the prospective cost estimates prepared by County staff of a $15.00 living wage ordinance for 2015.

B. COST ESTIMATE ONE

Cost Estimate #1

- *Apply Cost of Living Adjustment to $15.00 Living Wage Rate*
    - $15.00 living wage rate increased to $16.75
    - Raises for County employees increase the County's wage bill by $87,000, a 0.005% increase in the County's overall budget (0.015% of the General Fund).
    - Raises for employees of covered County service contractors increase contractors' costs by $380,000, or 0.4 percent of their revenue. Contractors may pass in the range of $285,000 of these costs to the County, a 0.015% increase in the County's overall budget (0.048% of the General Fund).

- *Add 12-Paid Sick Days to the mandate*
    - Cost of expanding this benefit to Extra Help workers increases the County's wage bill by $21,000, a 0.001% increase in the County's overall budget (0.004% of the General Fund).
    - Cost of expanding this benefit to employees of covered County service contractors increases contractors' costs by 0.3 percent of their revenue. Contractors may pass in the range of $215,000 of these costs to the County, a 0.011% increase in the County's overall budget (0.036% of the General Fund).

[5] I received County service contract data for my 2014 report from SEIU 1021. SEIU 1021 received these data from the County in response to their information request. See: https://peri.umass.edu/publication/item/584-an-assessment-of-the-fiscal-impact-of-the-proposed-sonoma-county-living-wage-ordinance.

1. Applying 2016-2020 COLAs to $15.00 Living Wage Rate

For Cost Estimate #1, I begin by approximating the labor cost increases associated with adjusting the current $15.00 living wage rate with cost of living adjustments through 2021. The first step in this analysis is determining the appropriate level of COLA adjustment to the $15.00 rate.

The Sonoma County Living Wage Ordinance directs the County to annually review the living wage rate and consider adjustments to it depending on such factors as increases in: overall prices (i.e., inflation), as measured by the Consumer Price Index; cost of living adjustments (COLAs), as provided to County employees; and overall economic conditions. Any adjustment cannot exceed either the rate of inflation or the COLAs provided to County employees.

More specifically, the language in the ordinance is as follows[6]:

> The county administrator or designee shall annually review the living wage set forth in subsection (a) not later than December 1 to determine whether to recommend that the board of supervisors implement adjustments to the living wage. In making said recommendation, the county administrator shall consider the following fiscal and economic factors: (i) the annual cost of living increase, if any, during the preceding year in the Consumer Price Index for all urban consumers in the San Francisco-Oakland-San Jose Consolidated Metropolitan Statistical Area, as published in October of each year by the U.S. Department of Labor, Bureau of Labor Statistics; (ii) the cost of living increase, if any, granted to all county employees; and (iii) the prevailing financial conditions and general economic health of the county and the economy in general. Any adjustment made to the minimum hourly living wage shall not exceed the lesser of the annual increase in cost of living as measured by said Consumer Price Index or the cost of living increase granted to all county employees. Said increase shall: (i) be adopted by resolution of the board of supervisors, (ii) take effect on January 1 of each year, and (iii) be posted by the county administrator on the county's website for the notice of all county departments, contractors, and subcontractors.

Following these guidelines, I approximate a new, COLA-adjusted rate for 2021 of $16.75 (rounded up from $16.69). Specifically, I use the regional CPI and COLA increases between 2016 and 2020, and then apply the lesser of these annual increases to the living wage rate of $15.00 in 2016. These figures are presented in Panels A and B of Table 3.

Starting with the first row, in Panel A, for 2016, prices rose at an average annual rate of 4.2 percent, higher than the 3.0 percent COLA negotiated by SEIU 1021 for its bargaining unit. Therefore, I use the lower of the two values, or 3.0 percent, as the COLA for the living wage rate. Note that the COLA based on 2016 price increases is to be

[6] See: https://library.municode.com/ca/sonoma_county/codes/code_of_ordinances?nodeId=CH2AD_ARTXXVILIWA_S2-377LIWARE).

applied to the rate for 2017 (see above text). Specifically, as I show in the second row of Panel B of Table 3, the 2016 living wage rate of $15.00 is raised 3 percent to $15.45 for 2017. I repeat this exercise for the years 2018-2021. The living wage rate effective for 2021, based on the cost of living increases in 2020, should be $16.69. To insure that all my calculations conservatively over-estimate any cost increases, I round this $16.69 figure to $16.75. For the remainder of this memo I will use this rate as the living wage rate.

Table 3. COLA adjustments to the $15.00 Living Wage Rate

A. Cost of Living Increases, 2016-2020

Year	(1) Average annual regional inflation rate*	(2) County employee COLA**	(3) COLA for Living Wage Rate: lesser of cols. 1 and 2
2016	4.2%	3.0%	3.0%
2017	2.7%	3.0%	2.7%
2018	4.4%	1.0%	1.0%
2019	3.0%	3.0%	3.0%
2020	1.1%	3.0%	1.1%

B. COLA-Adjusted Living Wage Rates, 2016-2021

Year	(1) COLA for Living Wage Rate from Preceding Year	(2) COLA-Adjusted Living Wage Rate
2016	NA	$15.00
2017	3.0%	$15.45
2018	2.7%	$15.87
2019	1.0%	$16.03
2020	3.0%	$16.51
2021	1.1%	$16.69

Notes: *Regional inflation rates and COLAs for SEIU 1021 bargaining unit provided by Jack Buckhorn Executive Director North Bay Labor Council AFL-CIO via email correspondence with Marty Bennett on 8/29/21.

2. <u>Costs of Raising Living Wage to COLA-Adjusted $16.75 Rate</u>

County Employees. County employees earning wages at or below $16.75 can expect to receive mandated raises if the living wage rate is increased to reflect cost of living increases through 2021. As noted above, I approximate that the new living wage rate will be $16.75.

Workers earning near but above $16.75 can also expect to get raises through what economists call "ripple-effect" raises. Ripple-effect raises helps preserve the basic shape of the wage structure by raising the wages of workers further up the wage distribution, not just at the wage floor. However, these raises tend to be smaller than the mandated raises (i.e., the raises at the wage floor) and do not extend through the entire wage distribution. Extrapolating from the findings from my own research on ripple effect raises, I estimate that workers currently earning up to $19.25 per hour will receive ripple effect raises (see Appendix B for details).

Permanent Employees

According to the Sonoma County Adopted Budget for FY2020-2021, two positions have entry level wages (i.e., A Step Wage) that would rise due to raising the living wage rate to $16.75. That is, two positions—Park Aides and Animal Care Assistants--have A Step Wages less than or equal to $19.25. As I do not have the current wages of these workers, which can range between $15.94 and $19.39, I assign these workers a midpoint value within this range (see column 2). For both positions, I assume these workers will receive a 3.5% ripple-effect raise to about $18.30 (see columns 3 and 4). Based on the fact that the FY2020-2021 budget indicates employment in these positions at 12 full-time equivalents (FTE), I estimate such raises will sum to $15,476 (see column 6, last row). In other words, the ripple-effect raises for these permanent County employees will be about $15,500

Table 4: Permanent Positions Affected by $16.75 Living Wage

Position	1. A-I Step Wage Range	2. Midpoint Wage	3. Estimated Raise	4. New Wage (col. 2+ col. 3)	5. FTE (1 FTE = 2,080 hours/yr.)	6. Cost of Raises (col. 3 x 2,080 x col. 5)
Park Aide	$15.94-$19.38	$17.66	$0.62 (3.5%)	$18.28	6	$7,738
Animal Care Assistant	$15.95-$19.39	$17.67	$0.62 (3.5%)	$18.29	6	$7,738
					Total Raises:	$15,476

Source: Sonoma County Adopted Budget for FY2020-2021.
Note: See Appendix B for explanation of ripple-effect raise estimates.

Extra Help Workers

The other group of County employees that will see their wages rise are Extra Help workers. The Adopted County budget however only provides an accounting of the total hours and total costs for this type of staffing by department. The budget does not indicate the number of work hours for workers by pay rate – the information I would need to estimate relatively precisely the cost of imposing a $16.75 living wage rate for these workers.

However, I can roughly approximate the increase in the County's wage bill by doing the following. According to data on current Extra Help staff provided by the County, 141 workers out of a total of 789, earn less than $20.00 and therefore would be impacted by the proposed $16.75 living wage rate.[7] These figures suggest that approximately 18

[7] County provided data to Nicholas Peraino in response to SEIU RFI July 2021, see Appendix C.

percent of Extra Help workers would experience raises from a $16.75 living wage (18 percent = 141/789).

Since I do not have hours data for these workers, I approximate the number of FTE Extra Help positions by looking to past trends in these levels. The Adopted Budget report for FY2020-21 indicates that the hours provided by Extra Help staff has been declining since 2016-2017, with about 250 FTE positions for FY2019-20. I therefore assume that 20 percent of these workers are low-wage – i.e., affected by the new living wage rate of $16.75, or 50 FTE positions. The average wage among these low-wage Extra-Help workers is equal to $16.75 – right at the proposed living wage rate. I assume that these workers will receive ripple-effect raises of 3.5 percent, or $0.60, for a new wage of $17.35.[8] Combining these figures, I approximate that the wage bill for Extra Help workers will rise by about $62,400 if the living wage rate increases to $16.75 ($62,400=$0.60 x 2080 hours x 50).

Overall then, raises for County employees, due to a living wage rate of $16.75, would sum to just under $78,000. The addition of 12.0 percent for payroll taxes and workers compensation that the County would need to pay as a consequence of these higher earnings, increases this amount to about $87,000.

TABLE 5. Cost of Raises for County Employees with $16.75 Living Wage

Positions	FTE	Increase in Wage Bill
Permanent	12	$15,476
Extra-Help	100	$62,400
TOTAL	112	$77,876; $87,221 (with 12% payroll tax added)

Source: See Tables 3 and 4.

In sum, I estimate the County's wage bill will increase in the range of $87,000 due to a living wage rate increase to $16.75. An increase in costs to the County in the range of $87,000 represents a 0.005 percent increase in the County's total budget (or a 0.015 percent increase in the County's General Fund).

Employees of County Service Contractors. The Sonoma County LWO ordinance covers service contractors (non-profit and for-profit) that receive large County service contracts (non-profits: at least $50,000 in a 12-month period; for-profits: at least $25,000 in a 12-month period). I estimate the cost to these contractors of adjusting to a $16.75 living wage rate by extrapolating from the findings in my 2014 report, "An

[8] See Appendix B for explanation of ripple effect raises.

Assessment of the Fiscal Impact of the Proposed Sonoma County Living Wage Ordinance."[9]

I apply the same methodology here, as in my 2014 report, to estimate the potential cost pass-through from service contractors covered by Sonoma's LWO. That methodology uses the results of several past studies that estimate how much business costs increase as a percent of overall sales revenue (i.e., cost increase to sales ratios), by industry, due to increases in minimum wage and living wage rates. I then approximate the expected cost increase to covered County contractors taking into account the current proposed hike in the living wage rate (11.7 percent from $15.00 to $16.75) and the contractors' industry composition. The business cost increases included in these calculations include: mandated raises, ripple-effect raises, and employers' increased payroll taxes.

Comparing these cost increases to business sales provides a measure of how much revenue a business would need to raise (or find in offsetting cost-savings) to cover the higher wages. I use these cost increase to sales estimates to provide a basis for determining how much County contractors may try to increase their bid prices to the County in order to adjust to a $16.75 living wage.

Note that a $16.75 living wage is basically a 20-percent minimum wage hike over California's current $14.00 minimum wage—the wage floor any contractor doing business in California would be subject to regardless of the County's living wage ordinance. I use the findings of my 2014 report to extrapolate how much an increase in the wage floor of this size—20 percent—can be expected to raise County contractors' costs.

In my 2014 report, I estimated that a 67 percent increase in the wage floor (from the then California state minimum wage of $9.00 to the $15.00 proposed living wage rate) would cause County contractors' costs to rise by 1.2 percent of their overall revenue. The proposed $16.75 living wage rate represents a wage hike equal to less than one-third of the wage hike I considered in my 2014 report. As a result, I approximate that raising the living wage rate to $16.75 will raise the average County service contractors' costs by about 0.4 percent of their overall revenue, i.e., one-third of my 2014 estimate of 1.2 percent.[10]

This estimate--a cost increase equal to 0.4 percent of revenue--is almost certainly an overestimate. This is because if any of the affected County contractors are already doing business with the County, they would also already be operating with a $15.00 living wage floor rather than the $14.00 state minimum wage rate. For such contractors, their cost increase would be closer to 0.2 percent of revenue.

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[9] See: https://peri.umass.edu/publication/item/584-an-assessment-of-the-fiscal-impact-of-the-proposed-sonoma-county-living-wage-ordinance. As I mention earlier in this memo, I do not update these data due to time constraints and limitations of the data provided by the County to date.
[10] Again, this is an approximation based on the findings of my 2014 study since I do not have updated contract data for this analysis. The main factor that would cause this 0.4 percent figure to vary substantially from the current situation is if the industry composition of the businesses holding County contracts changed significantly over the intervening years between 2014 and 2021.

The upper-end estimate of 0.4 percent of revenue indicates that the average County service contractor could fully cover the costs associated with a new $16.75 living wage rate by increasing their revenue by 0.4 percent. For example, if we assume that these service contractors are able to fully pass through their increased costs to the County, then the cost of these service contracts to the County would rise 0.4 percent. If the total cost of these service contracts still takes up roughly five percent of the County's total budget--the percent that such contracts represented relative to its FY2014-15 budget—a 0.4 percent increase in service contract costs represents a dollar figure in the range of $380,000 ($380,000 = $1.9 billion x 5 percent x 0.4 percent).

These service contractors, however, will not likely fully pass through their cost increases to the municipal government because they bid competitively for County contracts. In other words, each service provider seeking to win a County contract can expect at least one other firm to place a similar bid. The competitive bidding process therefore incentivizes contractors to adjust to the living wage in ways other than raising their bid prices, since doing so could make their bid unsuccessful.

These businesses may alternatively adjust through some combination of cost savings from higher worker productivity and improved operational efficiencies, slowing the earnings growth of high-wage workers, and smaller profit margins (or operating surpluses for non-profits).[11] For example, research on living wages and minimum wages find that worker turnover rates fall when the wage floor rises. By retaining a greater share of experienced workers, employers reduce their recruiting, hiring and training costs.

If County contractors pass *half* of this cost increase onto the County by raising their contract prices, this would represent a cost increase to the County's budget of $190,000.[12] Therefore, a reasonable approximation of the cost increase to the County from raising the living wage rate from $15.00 to $16.75 is in the range of $190,000 to $380,000, depending on how much of their higher labor costs contractors are able to pass on to the County. This range—between $190,000 and $380,000—is in proportion to the cost estimated by County staff in their 2015 evaluation of the proposed living wage.[13] The midpoint value of this range, $285,000, therefore is a reasonable estimate of the costs that

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[11] For a fuller discussion, see pp. 6-8 of my 2014 report (https://peri.umass.edu/publication/item/584-an-assessment-of-the-fiscal-impact-of-the-proposed-sonoma-county-living-wage-ordinance).

[12] Evidence from a 2003 study documents city administrators' observations from 12 different cities and counties on how their contract costs changed with the implementation of a living wage ordinance. The findings from this study suggest the contractors passed along about half of their cost increases. See: "Living Wages Living Wages and Communities: Smarter Economic Development, Lower than Expected Costs." by Andrew J. Elmore (New York: Brennan Center for Justice, 2003) (https://s27147.pcdn.co/wp-content/uploads/2015/03/elmore_report.pdf.)

[13] Specifically, the County's estimate assumed that non-profits would pass on the full amount of their cost increases associated with the living wage, and for-profits would pass on 50 percent of their cost increases (see Appendix A). Based on these assumptions, the cost increase passed onto the County from contractors would be about $820,000 once the living wage ordinance was fully implemented. This figure represents 0.06 percent of the County's 2015-16 budget of $1.4 billion. One-third of this cost increase—0.02 percent—of the FY2020-2021 budget of $1.9 billion is equal to $380,000. As I noted in the main text, this is almost surely an overestimate.

the County can anticipate experiencing through their service contractors due to a $16.75 living wage.

In sum, I estimate that covered service contractors' bid prices will increase in the range of 0.4 percent of their revenue, or about $380,000 of which, about $285,000 may be passed through to the County. This cost increase for County service contractors represents a much smaller share of the County's overall budget. An increase in costs to the County in the range of $285,000, through potential cost pass-through from County service contractors, represents a 0.015 percent increase in the County's total budget (or a 0.048 percent increase in the County's General Fund).

3. Costs of Mandating 12 Paid Sick Days

County Employees. Currently, both full time and part time permanent County employees already have access to twelve days of paid sick leave. The category of workers who would experience a benefit increase if the LWO included 12 paid sick days are Extra Help workers.

According to the FY2019-20 budget, the County employed roughly 250 FTE Extra Help workers. This group includes temporary workers, intermittent workers, seasonal workers, emergency workers, and paid interns.[14]

To estimate the cost of increasing paid sick leave benefits from the state mandated 3 days to the LWO proposed benefit of 12 days for County workers requires the following considerations: (1) the current benefit level and the accrual rate of paid sick time, (2) the share of workers who would likely achieve sufficient tenure to achieve the additional nine days of paid sick days, and (3) the pay rates of newly eligible workers. I consider each of these elements in turn.

- *The current benefit level and accrual rate of paid sick time.* The accrual rate for workers in this employment status is 1 hour of sick time per 30 hours of work, for up to a maximum of 72 hours (9 days). To achieve the full 12 days in paid sick days, an Extra Help worker would have to be employed with the County for more than a year, if they worked a full-time schedule.[15]

- *The share of workers who would likely achieve sufficient tenure to earn the additional 3 days of paid sick days, from their current benefit of 9 days.* Extra Help positions have limits to the number of hours they can work continuously for the County which decrease the likelihood that such workers in such positions could achieve more paid sick time than currently exists.

[14] See: http://sonomacounty.ca.gov/HR/Recruitment-and-Classification/Filling-a-Position/Evaluating-the-Need/Extra-Help-Staffing/
[15] To see this, consider that an Extra Help worker would have to work 2,880 hours in order to accrue 12 days of sick hours (12 days x 8 hours/day x 30 work hours/accrued sick hour = 2,880 work hours). A worker with a full-time schedule (40 hours per week) would have to work 72 weeks to reach this 2,880-hour goal.

For example, "Seasonal extra-help employees augment permanent staff by performing duties that are required at certain times or seasons of the year. Seasonal employment shall not extend beyond six (6) calendar months in any twelve (12) month consecutive period."[16] On the one hand, it is possible that a seasonal worker could, over time, accumulate 96 hours of paid sick time. For example, a seasonal worker working full-time hours, could work six months per year, for about three years, and achieve 96 hours of paid sick time. On the other hand, whether workers in these essentially temporary positions achieve such tenure lengths is unclear.

- *The pay rates of newly eligible workers.* The cost per hour of paid sick leave used to the County depends on the average pay rate of the Extra Help workers who would have access to more paid sick days with an expansion of the LWO benefits.

According to the U.S. Labor Department figures, paid sick day benefits cost state and local governments 1.9 percent of their workers' total compensation. However, only 91 percent of state and local government workers have access to this benefit.[17,18, 19] I use these figures to roughly approximate that the cost of providing local and state employees with paid sick day benefits is equal to 2.1 percent of their compensation (2.1 percent=1.9 percent/91 percent). Using this cost figure of about 2 percent of compensation for existing paid sick leave benefits, increasing this benefit by one-third—from 9 days to 12 days--would cause these benefits to increase in cost by about 0.7 percent of compensation (2.1 percent x 1/3=0.7 percent).

What share of Extra Help workers are likely to be able to take advantage of these additional sick days? To estimate this, I use data provided by the County on the number of paid sick hours accrued by current Extra Help workers that are represented by SEIU 1021 and who are currently eligible to accrue paid sick hours.[20] These Extra Help workers represent just over half of all Extra Help workers (420 out of 789 Extra Help workers). Among these 420 Extra Help workers, only 70 had achieved balances near the 72-hour maximum (i.e., at least 56 hours, equivalent to 7 paid sick days), or 17 percent.

Based on this, I assume that about 20 percent of the Extra Help workforce will be able to accrue more paid sick hours due to raising the maximum level from 9 days to 12 days. If only 20 percent of Extra Help workers are likely to achieve sufficient tenure to earn the additional 3 days of paid sick days, on top of their current benefit of 9 days, then the cost to the County of expanding this benefit falls from 0.7 percent of compensation to 0.14 percent of compensation (0.14 percent = 0.7 percent x 20 percent).

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[16] https://sonomacounty.ca.gov/Civil-Service-Commission/Rule-1-Definition-of-Terms/#E.
[17] https://www.bls.gov/news.release/ebs2.t06.htm.
[18] https://www.bls.gov/news.release/ecec.t01.htm#ect_table1.f.2
[19] https://sonomacounty.ca.gov/HR/Employee-Relations/Labor/Salary-Resolution/2019-2023-MOU/Sick-Leave/#23.2
[20] County provided data to Nicholas Peraino in response to SEIU request for information July 2021, see Appendix D.

According to the Adopted Budget for FY2020-21, the County spent about $15 million on Extra-Help positions in FY2019-20. I add to this $15 million figure, the $70,000 in raises and payroll taxes due to a higher, $16.75 living wage rate. Therefore, the cost of expanding paid sick day benefits for these Extra Help workers will be about $21,000 ($21,098 = 0.14% x $15,070,000).

In sum, I estimate the County's costs will increase in the range of $21,000 due to expanding the paid sick day benefit for Extra Help workers from 9 days to 12 days. An increase in costs to the County in the range of $21,000 represents a 0.001 percent increase in the County's total budget (or a 0.004 percent increase in the County's General Fund).

Employees of County Service Contractors. This group of workers includes those who work on covered County service contracts. As with the increase in labor costs County service contractors may experience from a $16.75 wage floor, County service contractors may pass the increased costs of expanding the number of paid sick days for their workers to the County by raising their bid prices. In order to determine the potential size of this fiscal impact, I first approximate how much labor costs would increase for these employers, and from those figures, estimate how much these businesses will likely pass through to the County.

To estimate these costs, I apply the same figures that I developed in a 2017 memo that I prepared for North Bay Jobs with Justice titled, "Estimating the Cost of Adding a 12 Paid Sick-Day Benefit to Sonoma County's Living Wage Ordinance." A copy of this memo is included in Appendix E of this memo.

In my 2017 assessment, I estimated that the costs to County service contractors, covered by the LWO, of increasing paid sick days to 12 days, up from the average 9 days would be in the range of 0.3 percent of their overall revenue. Based on this estimate, I assume that some County contractors will pass on only half of this cost increase to remain competitive with other contractors, while other County contractors may try to pass through the full cost to the County of expanding their paid sick leave benefit. That is, the costs to the County can be expected to be in the range of 0.15 percent to 0.30 percent of the contractors' revenue.

As noted above, I do not have an estimate of the current spending on County contracts covered by the Sonoma LWO. As a result, I estimate this spending amount by assuming that the proportion of the County's budget spent on these types of contracts has not changed substantially since 2012. In 2012, the County spent about 5 percent of its total budget on County service contracts that would be covered by the terms of its LWO.[21] As above, I use this 5 percent figure to estimate that—based on the $1.9 billion total budget for FY2020-21—Sonoma County will spend nearly $95 million on covered County service contracts (0.05 x $1.9 billion = $95 million). A cost increase equal to 0.15 percent to 0.30 percent of these covered County service contracts represents approximately

[21] This figure is from my 2014 report, see p.7.

$142,500 to $ 285,000 ($142,500=0.0015 x $95 million; $285,500=0.0030 x $95 million). I use the midpoint of this range, about $215,000 for my cost estimates.

In sum, I estimate the County's costs will increase in the range of $215,000 due to expanding the paid sick day benefit for workers on County service contractors from 9 days to 12 days. An increase in costs to the County in the range of $215,000 represents a 0.011 percent increase in the County's total budget (or a 0.036 percent increase in the County's General Fund).

C. COST ESTIMATE TWO

COST ESTIMATE #2

- *Apply Cost of Living Adjustment to $15.00 Living Wage Rate*
  - $15.00 living wage rate increased to $16.75
  - Raises for County employees increases the County's wage bill by $87,000, a 0.005% increase in the County's overall budget (0.015% of the General Fund).
  - Raises for employees of covered County service contractors increases contractors' costs by $380,000, or 0.4 percent of their revenue. Contractors may pass on in the range of $285,000 of these costs to the County, a 0.015% increase in the County's overall budget (0.048% of the General Fund).

- *Expand coverage*
  - *Sonoma County Fair Temporary Employees*
    - Raises for Fair employees increase labor costs equal to 3.7% of Sonoma County Fair's overall revenue.
    - No expected impact on County budget.
  - *Employees of Sonoma County Charles Schulz Airport Businesses*
    - Raises for Airport employees increase labor costs by 0.3% of the Airport's overall revenue.
    - No expected impact on County budget.

This Cost Estimate #2 includes both the COLA-adjustment to the living wage rate, as well as an expansion of coverage to include the Sonoma County Fair temporary employees, as well as employees of private businesses operating at the Sonoma County Schulz Airport.

As such, I include the first component of Cost Estimate #1, or $87,000 in raises for County Employees and $380,000 in raises for workers of County service contractors ($285,000 of which may be passed on to the County), that in turn, could increase the County's total budget by 0.020 percent (0.063 percent of the General Fund).

In the remainder of this section, I explain how I estimate the cost of expanding the LWO coverage, including a $16.75 living wage rate, to include Sonoma County Fair temporary employees and employees of private businesses at the Sonoma County Schulz Airport.

1. Costs of Expanding Living Wage Coverage

Sonoma County Fair Employees. This section provides the cost estimates of extending the LWO ordinance coverage to include Sonoma County Fair and Exposition, Inc. (SCF) temporary and seasonal workers. Specifically, as with other cost estimates, I include the costs of mandated and ripple-effect raises that result from the LWO. This section essentially provides an update to the analysis I presented in my 2015 memo, "Impact of $15 Living Wage for Temporary County Fair Workers," (see Appendix F) in which I estimated the cost of the initial $15.00 living wage rate for this group of workers.[22]

Mandated Raises

As I noted in my 2015 memo, my estimate of the mandated raises due to a $15.00 living wage—around $450,000—is similar to the figure generated by County staff person Ms. Tawny Tesconi, who at that time was Director of General Services of Sonoma County.[23] In other words, my 2015 estimate of mandated raises from the $15.00 living wage was consistent with the County staff estimate. For this updated analysis, I use the same method and data source. That is, I update my 2015 analysis by applying the same estimation method to wage and hours data provided by County staff to estimate the cost of mandated raises due to a $16.75 living wage.

The SCF temporary workforce primarily supports the annual County Fair. As such, I present in Table 6 the County Fair wage and hours data for 2019--the last year that the County Fair ran--which I received from Sonoma County Administrative Analyst Yvonne. As Table 6 shows, I have the total work hours for workers earning within four different wage intervals: $11-$13, $13-$15, $15-$20, and $20-$25.

For each group of workers, I estimate their average wage using the midpoint of each wage interval. Note, however, that since the 2019 fair, California's state minimum increased from $12.00 in 2019 to $14.00 in 2021. Even though the mandated raises for Fair workers in 2021 will be to raise the wage floor from $14.00 to $16.75 as opposed to $12.00 to $16.75, I estimate the costs associated with the raising the wage floor from $12.00 to $16.75 as this will be what the SCF experiences since the County Fair last ran in 2019.

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[22] My estimate of the overall cost of the wage floor hike to $15.00—including mandated and ripple effect raises--was in the range of five percent of SCF's revenue, or roughly $475,000. See Appendix F.
[23] Ms. Tesconi estimated that the payroll increase due to mandated raises would be about $451,250 (including payroll taxes and workers compensation). I received a copy of Ms. Tesconi's "Living Wage Ordinance Impact on the Fair" analysis via email correspondence with Marty Bennett, 10/28/2015. See Appendix G.

For example, in row 3, column 1, I include in the cost of mandated raises for the lowest paid workers the full increase of $4.75 from $12.00 to $16.75. To calculate the total cost to SCF, I multiply this $4.75 raise by the total work hours of this group (row 4) and then add 12 percent for payroll taxes and workers compensation (row 5). As the calculations in Table 6 show, the total costs of the mandated raises sum to about $381,000 (bottom row).

Table 7. Cost of Mandated Raises from $16.75 Living Wage for County Fair workers

Wage Range	**$11-$13**	**$13-$15**	**$15-$20**	**$20-$25**
1. Total Hours worked	60,448.25	19,291.25	8,218.50	3,882.75
2. Average Hourly Wage in 2019	$12.00	$14.00	$17.50	$22.50
3. Mandated Raises to $16.75	$4.75	$2.75	$0	$0
4. Cost of Mandated Raises (= row 1 x row 3)	$287,129.19	$53,050.94	$0	$0
5. Full Cost of Mandated Raises: *Add 12% for payroll taxes and workers comp.* (= row 4 x 1.12)	$321,584.69	$59,417.05	$0	$0
TOTAL COST (sum of row 5, cols. 1-4)				$ 381,002

Ripple-Effect Raises

My 2015 estimate of the impact of a $15.00 living wage on SCF diverges sharply from Ms. Tesconi's on the question of ripple-effect raises. Ms. Tesconi estimated a cost figure in the range of $250,000 whereas my estimate was equal to about $25,000--one-tenth the size of Ms. Tesconi's estimate (see Appendices F and G).

This large difference in estimates of ripple-effect raises is due to our differing assumptions about the extent to which SCF will preserve its wage structure before and after the wage floor increase. Estimating ripple-effect raises requires making assumptions about employer behavior because such raises are adopted at the employer's discretion.

Ms. Tesconi's estimates are based on the assumption that the increase in the wage floor will be matched by raises up through SCF's full wage hierarchy to retain its structure. That is, Ms. Tesconi appears to assume that the Fairground's entire wage structure will shift upwards (see Appendix G). Her assumption that the entire wage structure would shift upwards implies that, for example, an increase to the wage floor to $16.75 would produce raises for workers earning in excess of $25 per hour.

In contrast, I assume that the raises will be limited to the bottom of the wage scale—affecting workers earning up to about $19.00. This assumption is based on the pattern of raises produced by past state and federal minimum wage increases.[24] That is, historically, minimum wage hikes typically cause employers to maintain a similar, but different, wage hierarchy before and after a wage floor hike. They do this by extending smaller raises for workers just above the new wage floor, but not throughout their entire wage structure. In this update of my 2015 analysis, I assume, as before, a more limited range of ripple-effect raises than that assumed by Ms. Tesconi (see Appendix B). Table 8 presents the cost increases associated with raising the wage floor from $12.00 to $16.75, including now both mandated and ripple-effect raises.

Table 8. Cost of Mandated and Ripple-Effect Raises from $16.75 Living Wage for Sonoma County Fair workers

Wage Range	**$11-$13**	**$13-$15**	**$15-$20**	**$20-$25**
1. Total hours worked	60,448.25	19,291.25	8,218.50	3,882.75
2. Average hourly wage in 2019	$12.00	$14.00	$17.50	$22.50
3. Mandated raise	$4.75	$2.75	-	-
4. Ripple-effect raise	$0.00	$1.65	$0.66	-
5. Average hourly wage with raises	$16.75	$17.40	$18.16	$22.50
6. Cost of raises	$287,129.19	$65,590.25	$5,424.21	-
7. Full cost of raises: *Add 12% for payroll taxes and workers comp.*	$321,584.69	$73,461.08	$6,075.12	0
TOTAL COST (sum of row 7, cols. 1-4)				$ 401,121

For example, in Table 8, the first column shows figures for workers who earned the lowest pay rates in 2019 of about $12.00—the state minimum wage in effect at the time.

[24] See for example, Chapter 11 in *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States* by Pollin, Brenner, Wicks-Lim and Luce (Cornell University Press, 2008).

These workers, if covered by the LWO, would receive mandated raises to increase their wage to $16.75 (see row 3).

In column 2, I estimate that workers who earned about $14.00 will get a combination of raises—a mandated raise to $16.75, and then ripple-effect raises of $1.65 to bring them up to $17.40 in order to maintain these workers' wage position just above the wage floor (now $16.75).

The last group of workers who I estimate will receive a raise are those earning around $17.50. These workers receive only ripple-effect raises because their wages already exceed the $16.75 living wage rate. Their average raise of $0.66 to $18.16 is smaller than those of the first two groups.

As the calculations in Table 8 show, the total costs of the mandated raises and ripple-effect raises, combined, sum to about $400,000.

The cost of these raises directly impact the SCF as opposed to the County, as this department relies on self-generated funds and does not receive or generate any of the County's General Fund dollars. Instead, the proposal to extend the LWO to cover SCF's temporary workers has the potential to impact the County's fiscal budget *if* the cost increases negatively impact the SCF's overall viability, and consequently, reduce the SCF's ability to support local economic activity that generates tax-revenue for the County.

As discussed above, past economic research on minimum wages indicate that firms typically adjust to an increase in their wage floor through a variety of ways. Businesses may adjust through some combination of cost savings from higher worker productivity and lower worker turnover, improved operational efficiencies, slowing the earnings growth of high-wage workers, and smaller profit margins (or operating surpluses for non-profits). The extent to which the SCF could use each of these channels is beyond the scope of this analysis. Instead, I will update the main points of my 2015 memo which put the overall cost increase into context with the resources available to SCF to cover such costs. Again, note that the cost estimates of this current memo are upper-end estimates as they do not net out any cost savings that SCF may experience due to lower recruiting costs, as well as lower turnover that would additionally reduce hiring and training costs. Moreover, note that as of 2021, the state minimum wage is $14.00, nearly halfway from the $12.00 wage floor in effect during the 2019 Fair and the proposed $16.75 living wage rate.

- First, if we assume that the SCF will fully pass through its increase in labor costs to its consumers, then the size of the price increases it implements will depend on which revenue sources it uses to fund the raises. Prices may be increased: (1) across all revenue sources, (2) within the County Fair specifically, or (3) even more narrowly, within paid admissions of the County Fair. The ultimate mix of price increases should be made to minimize any negative impacts on demand, and therefore, revenue. The price increases needed to fully cover the cost increase, depending on the revenue sources included, are presented in Table 9.

Table 9: Cost Increases of $16.75 Living Wage Relative to Fairground's Revenue Sources

Revenue source	**Revenue level (2019)**	**Price increase needed to cover $401,000 cost increase**	**Example: Admission price would rise from $13 (adult)/ $7 (child) to:**
1. All revenue sources	$10.9 million	3.7%	$13.50/$7.25
2. Fair revenue, only	$6.1 million	6.6%	$13.90/$7.50
3. Fair ticket admissions revenue, only	$1.6 million	25.6%	$16.35/$8.80

Source: Sonoma County Fair & Exposition, Inc. Budget

The numbers in row 1 of Table 9 show that based on the 2019 revenue level of $10.9 million, a cost increase in the range of $400,000 would require Fair prices to rise by 3.7 percent. This would mean, for example, admission prices rising from $13.00 to $13.50 for adults and $7.00 to $7.25 for kids. If only Fair revenue, including admissions as well as fees for attractions and parking, among others, are included, prices would need to increase by 6.6 percent. A 6.6 percent price increase for admissions would raise adult tickets from $13.00 to $13.90, and children's from $7.00 to $7.50, for adults and children, respectively. If only admissions revenue is used to cover the cost increases associated with a $16.75 living wage, admission ticket prices would need to increase 26 percent, from $13.00 to $16.35, and $7.00 to $8.80, for adults and children, respectively.

- Second, whether revenue will be negatively impacted by rising Fair prices is unclear, at least in the range of increases presented in rows 1 and 2 of Table 9. For example, in 2018, admission prices for adults increased from $13.00 to $15.00, a 15 percent increase (no change in prices for children). Admission revenue also increased, from $1,499,502 in 2017 to $1,612,041 (+7.5%) in 2018, suggesting that the higher prices increased revenue enough to offset any decline on consumer demand. Between 2018 and 2019, revenue fell slightly to $1,564,915 (-2.9%) percent even while prices remained the same. Still, the 2019 revenue level was 4 percent above its level in 2017.[25]

[25] Fair prices reported in: (2017) https://www.happeningsonomacounty.com/events/4077/2017-sonoma-county-fair/; (2018) http://www.sonomacountyfair.com/docs/2018%20Tickets%20on%20Sale%20PR.pdf ; (2019) http://www.sonomacountyfair.com/docs/Sonoma-Fair-Magazine-2019.pdf.

The pattern of past attendance levels and admission prices, in other words, does not provide any clear indication that the range of possible price increases needed to accommodate a $16.75 living wage will negatively affect County Fair attendance. As such, extending the LWO coverage to include Fair workers can be expected to have a limited, if any, impact on the County's fiscal health.

In sum, I estimate that expanding coverage of the LWO to include the Sonoma County Fair (SCF) temporary workers will increase the costs to the Fair in the range of $400,000, or 3.7 percent of the SCF's overall revenue. This increase in costs to SCF should have a limited, if any, impact on the County's budget.

Employees at the Sonoma County Charles Schulz Airport. Similar to the situation of the SCF, the Sonoma County Charles Schulz Airport operates as a self-funded unit. That is, the airport generates its own funds to cover its operating expenses through the concession contracts, leases, and other fee agreements it holds with firms doing business at the airport. Here again, therefore, employers at the Airport cannot directly pass along to the County the cost increases they may experience if the LWO coverage expands to include workers at the Airport. At the same time, if this expansion of the LWO impacts the economic viability of the Airport, and the poor performance of the Airport negatively affects local economic activity, this could indirectly harm the County's fiscal health. As a result, the exercise in this section is to evaluate the cost increase to firms at the Airport and the potential for these cost increases to significantly impact their viability, and therefore the overall performance of the Airport.

This exercise involves two steps: (1) estimating the cost increase to the newly covered employers and (2) comparing this cost increase to the overall revenue generated at the Airport.[26] To approximate these two sets of figures, I use the same method as in my 2014 study. Note that economist Peter Hall at Simon Fraser University, independently assessed the living wage cost estimates for the Airport in 2015 and concluded that "…the costs of applying the Living Wage Ordinance to businesses with service contracts at the airport are modest, and in line with the estimate prepared by Dr. Wicks-Lim."[27]

Specifically, I use the estimates of two past studies that examine the economic impact of living wage ordinances at two different publicly owned California airports: the Oakland International Airport and the San Francisco International Airport. Averaging the cost estimates from these two reports, I approximate that raising the wage floor for businesses at the Schulz Airport from the current $14.00 state minimum wage to $16.75—a 20 percent increase—would equal 0.3 percent of the overall revenue of businesses operating at the Airport.

The reason why the overall revenue of Airport businesses is the relevant reference point—as opposed to the revenue of each individual employers—is because the businesses operating at the Airport effectively share the Airport's operating costs due to its self-funding structure. As a result of this structure, low-wage business (e.g.,

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[26] For details about my estimation methods see the appendix of my 2014 report, pp. 29-30.
[27] See Appendix H.

restaurants) have an additional channel through which they can adjust to the living wage: passing some of their cost increase onto less-affected businesses and their consumers, such as the airlines.

To see this, consider that businesses with a high concentration of low-wage workers, such as those providing food services, may cover part of their higher labor costs by raising their prices slightly. They may also re-negotiate their concession or lease agreements with the County in order to retain more their revenue to cover their higher labor costs. Such agreement re-negotiations may create a gap between the revenue the Airport collects and the Airport's operating expenses. To cover this gap, the Airport can raise its rates and charges to the airlines. In this way, the living wage costs can be diffused across the Airport-based businesses, and to airlines in particular.[28]

The increased labor costs can also be passed onto to airlines directly through contracts between the airlines and firms that provide services to airlines, such as catering, security, skycaps, and fueling and maintenance services. In fact, this has been the experience of businesses at the San Francisco Airport (SFO), after the passage of its living wage policy in 2000, also known as the Quality Standards Program (QSP). Researchers Peter Hall, Ken Jacobs, and Michael Reich surveyed airline service firms passed, for example, at SFO affected by the QSP and found that "…two-thirds of the airline service firms surveyed reported that all or part of the wage increases [as a result of QSP] had been passed on to the airlines."[29]

Given the modest size of the cost increase relative to the Airport businesses' revenue, I will limit this discussion to putting this cost increase into context with the revenue available to the Airport to cover such costs. The cost increase of extending the $16.75 living wage to workers at the Schulz Airport could be fully covered by a small 0.3 percent price increase across the goods and services offered at the Airport. A $30 restaurant meal would, for example, rise from $30.00 to $30.09. A domestic flight round trip ticket would rise from $300.00 to $300.90. Price increases of this size are unlikely to impact the economic vitality of the airport, and therefore is unlikely to have any fiscal impact on the County.

In sum, I estimate that extending the LWO coverage to include the Sonoma County Schulz Airport will increase labor costs in the range of 0.3 percent of the overall business revenue at the Airport. This increase in costs to the Airport should have a limited, if any, impact on the County's budget.

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[28] This discussion is taken from p. 11 of my 2014 report (https://peri.umass.edu/publication/item/584-an-assessment-of-the-fiscal-impact-of-the-proposed-sonoma-county-living-wage-ordinance).

[29] Peter Hall, Ken Jacobs, and Michael Reich, 2014, "Liftoff: Raising Wages at San Francisco International Airport," In *When Mandates Work: Raising Labor Standards at the Local Level*, Michael Reich, Ken Jacobs, Miranda Dietz (eds), University of California Press, p. 81.

D. COST ESTIMATE THREE

COST ESTIMATE #3

- *Apply Cost of Living Adjustment to $15.00 Living Wage Rate*
    - $15.00 living wage rate increased to $16.75
    - Raises for County employees increases the County's wage bill by $87,000, a 0.005% increase in the County's overall budget (0.015% of the General Fund).
    - Raises for employees of covered County service contractors increases contractors' costs by $380,000, or 0.4 percent of their revenue. Contractors may pass on in the range of $285,000 of these costs to the County, a 0.015% increase in the County's overall budget (0.048% of the General Fund).

- *Add 12-Paid Sick Days to the mandate*
    - Cost of expanding this benefit to Extra Help workers increases the County's wage bill by $21,000, a 0.001% increase in the County's overall budget (0.004% of the General Fund).
    - Cost of expanding this benefit to employees of covered County service contractors increases contractors' costs by 0.3 percent of their revenue. Contractors may pass in the range of $215,000 of these costs to the County, a 0.011% increase in the County's overall budget (0.036% of the General Fund).

- *Expand coverage*
    - *Sonoma County Fair Temporary Employees*
        - Raises for Fair employees increase labor costs equal to 3.7% of Sonoma County Fair's overall revenue.
        - Improved paid sick day benefit increases costs by 0.4% of Sonoma County Fair's overall revenue.
        - No expected impact on County budget.
    - *Employees of Sonoma County Charles Schulz Airport Businesses*
        - Raises for Airport employees increase labor costs by 0.3% of the Airport businesses' overall revenue.
        - Improved paid sick day benefit increases costs equal to 0.3% of the Airport businesses' overall revenue.
        - No expected impact on County budget.

Cost Estimate #3 adds 12 paid sick days for Sonoma County Fair and Sonoma County Schulz Airport workers to the living wage provisions covered in Cost Estimate #1 and Cost Estimate #2. The discussion in this section will therefore focus on how I estimate the costs of mandating 12 paid sick days for Sonoma County Fair temporary workers and employees of businesses operating at the Schulz Airport. Similar to the above discussion in Section IIC, I will first estimate the direct cost increase associated with the new provision of paid sick days for the affected employers and then assess whether these direct cost estimates have the potential to indirectly impact the County's revenue sources by reducing local economic activity.

California's Healthy Workplaces/Healthy Families Act of 2014 requires that workers employed at least 30 days within a year with the same employer is entitled to accrue an hour of paid sick leave for every 30 hours worked, for a total of at least three days per year. Adding 12 days of paid sick leave, therefore, effectively means increasing the state-mandated benefit by nine paid sick days. Therefore, the costs that follows are for allowing workers to accrue nine additional days of paid sick days.

Sonoma County Fair Employees. To estimate the cost of providing 12 paid sick days to these workers, I repeat the methods I used to estimate the cost of this benefit for Extra Help County workers. Specifically, I consider (1) the accrual rate of paid sick time, (2) the share of workers who would likely achieve sufficient tenure to achieve the additional nine days of paid sick days, and (3) the pay rates of newly eligible workers. And, as before I use data from the Labor Department to estimate the cost of this benefit to employers.

Even more so than was the case with Extra Help workers, I expect that Fair workers will be unlikely to accrue sufficient tenure to earn 12 days of paid sick days. This is because, according to the County staff person Ms. Tesconi, many of the Fair workers—particularly temporary workers—are only employed for 3 weeks during the Fair (see Appendix G). Thus, in my calculations, I assume that only one-third of Fair workers are likely to achieve 12 paid sick days.

According to payroll data, again provided by the County's financial analyst Yvonne Shu, the total wages paid to Fair workers in 2019 summed to $1.2 million. Taking into account raises from a $16.75 living wage rate would increase the payroll to about $1.6 million (i.e., $401,000 plus $1.2 million). Based on U.S. Labor Department estimates, each paid sick day offered by employers in the "Leisure and Hospitality" industry costs roughly one percent of compensation.[30] If about one-third of the Fair workers are likely to achieve 12 paid sicks days—or 9 days more than what the state mandates—the cost to the Fair would be in the range of 3 percent of the overall wage bill (3 percent=1.0 percent x 9 days x 1/3 of the workforce). Applying this three percent figure to the $1.6 million wage bill is equal to $48,000. Therefore, I approximate that

[30] According to the Labor Department figures, the paid sick days benefits cost employers in the Leisure and Hospitality sector 1.0 percent of compensation in 2019. In the same year, 48 percent of workers in this industry had access to such benefits. Finally, according to a BLS brief by Ross O. Barthold and Jason L. Ford titled "Paid Sick Leave: Prevalence, Provision, and Usage among Full-Time Workers in Private Industry" (see: https://www.bls.gov/opub/mlr/cwc/paid-sick-leave-prevalence-provision-and-usage-among-full-time-workers-in-private-industry.pdf), workers in this industry average two paid sick days per year. Therefore, if all workers received 2 days of paid sick days, I approximate that this would cost employers 2 percent of compensation (2.0 percent = 1.0 percent/48 percent). This implies that to provide all workers in the sector one paid sick day would cost employers about 1 percent of compensation.

offering 12 paid sick days to Fair workers can be expected to cost in the range of $50,000 per year.

Overall then, for this Cost Estimate 3, the additional costs to SCF of a $16.75 living wage rate plus a requirement of 12 paid sicks days would increase the its expenses by about $450,000, or 4.1 percent of the Fair's overall revenue. This 4.1 percent figure is only modestly higher than the 3.7 percent figure I estimate for the wage raises alone. I therefore, conclude again, that I do not expect the cost increase to the SCF to have a fiscal impact on the County.

In sum, I estimate that expanding coverage of the LWO to include SCF workers—including now both the $16.75 rate and 12 paid sick days—will increase its costs in the range of $450,000, or 4.1 percent of the SCF's overall revenue. This increase in costs to SCF should have a limited, if any, impact on the County's budget.

Employees at the Sonoma County Charles Schulz Airport. I repeat the above method to estimate the cost of expanding the State's mandated paid sick day benefit from 3 days to 12 days for Airport workers. As before I consider (1) the accrual rate of paid sick time, (2) the share of workers who would likely achieve sufficient tenure to achieve the additional nine days of paid sick days, and (3) the pay rates of newly eligible workers. I then use data from the U.S. Labor Department to estimate the cost of this benefit to employers.

Relative to Fair workers, workers at the Airport are much less likely to be temporary or seasonal workers so they have a greater ability to accrue enough tenure to earn 12 paid sicks. As a result, I assume that all such workers have the potential to accrue sufficient work hours to achieve the 9 additional paid sick days relative to the state mandated three paid sick days.

The employers of these workers at the Airport—in car rental services, parking, airlines fuel handling, as well as food services—also differ somewhat from SCF. These Airport employers provide a range of services, and likely offer more of their workers paid sick days, as well as a greater number of paid sick days. According to the U.S. Labor Department, service sector employers broadly—as opposed to those in the leisure and hospitality sector only—offered paid sick days to 73 percent of their workers, and offered an average of 7 about paid sick days.[31] The cost of these benefits, in 2019, equaled 1.0 percent of total compensation. Combining these figures, I estimate that each paid sick day offered by service sector employers costs roughly 0.2 percent of compensation.[32]

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[31] I use the average paid sick days offered to workers in two sectors, "Leisure and hospitality," and "Professional and business services" to approximate this figure for Airport workers. These figures are 6 and 9 days respectively, as reported in "Paid Sick Leave: Prevalence, Provision, and Usage among Full-Time Workers in Private Industry" by Ross O. Barthold and Jason L. Ford (see: https://www.bls.gov/opub/mlr/cwc/paid-sick-leave-prevalence-provision-and-usage-among-full-time-workers-in-private-industry.pdf).

[32] To see this, consider that 1.0 percent of compensation covers 7 paid sicks days for 73 percent of workers. Therefore, the percent of compensation for the entire workforce for each paid sick day can be estimated by: (1.0 percent/73 percent coverage)/7 paid sick days, or 0.2 percent.

Therefore, the cost of increasing the number of paid sick days offered to these workers by 5, for a total of 12 days, is equal to about 1 percent of total compensation (1.0 percent = 5 days x 0.2 percent of compensation). A 1 percent increase in compensation is equal to roughly to 0.3 percent of total revenue for these businesses since these businesses spend approximately one-third of their revenue on payroll (0.3% = 1.0% x 1/3).[33] This implies that the businesses operating at the Airport will experience a cost increase equal to roughly 0.3 percent of their total revenue.

Overall then, I estimate that raising the wage floor for businesses at the Airport to $16.75 and providing their workers with 12 paid sick days would roughly equal under 1 percent of their total revenue (i.e., 0.3 percent of total revenue for raises plus 0.3 percent of total revenue for paid sick days for a total of 0.6 percent of total revenue). It is reasonable to describe an increase in costs of this amount as modest. To illustrate, consider that a 1.0 percent price increase in the goods and services offered at the Airport would more than cover the cost of these improved wages and benefits. A $30 restaurant meal would, for example, rise from $30.00 to $30.30. A domestic flight round trip ticket would rise from $303.00. Price increases of this size are unlikely to impact the economic vitality of the airport, and therefore is unlikely to have any fiscal impact on the County.

In sum, I estimate that expanding coverage of the LWO to include the Sonoma County Schulz Airport workers—including now both the $16.75 rate and 12 paid sick days--will increase Airport employers' costs in the range of 0.6 percent of the businesses' overall revenue. This increase in costs to these businesses should have a limited, if any, impact on the County's budget.

[33] U.S. Economic Census data (2012).

Dr. Jeannette Wicks-Lim is an Associate Research Professor at the Political Economy Research Institute at the University of Massachusetts Amherst. Wicks-Lim specializes in labor economics with an emphasis on the low-wage labor market and the political economy of racism. She is co-author of *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States* (2008). In addition to the studies included in *A Measure of Fairness*, Wicks-Lim has co-authored more recent economic impact studies of minimum wage and living wage laws such as, "An Assessment of the Fiscal Impact of the Proposed Milwaukee County Living Wage Ordinance" (2013), "An Assessment of the Fiscal Impact of the Proposed Sonoma County Living Wage Ordinance" (2014), and, "A $15 U.S. Minimum Wage: How the Fast-Food Industry Could Adjust Without Shedding Jobs" (2016). Her other journal articles and policy studies cover a wide range of topics, including; the effectiveness of affirmative action policies; the impact of Social Security on child poverty; the role of the Earned Income Tax Credit on improving population health; the economics of single-payer programs; and the employment-related impacts of clean energy policies. Wicks-Lim frequently serves as an economic policy consultant for non-governmental organizations as well as state and municipal legislative committees in her areas of research expertise.

APPENDICES

APPENDIX A
LIVING WAGE ORDINANCE JUNE 2015 SONOMA COUNTY STAFF NOTES, ATTACHMENT C:
"Potentially Impacted Workers and Estimated Cost to the County"

Attachment C

Potentially Impacted Workers & Estimated Cost to the County

County $15 Wage	Total	For-Profit $15 Wage	Total
Full-time	1	Directly Impacted	193
Extra-Help	135	Ripple Effect/Compaction	34
Total	**136**	**Total**	**227**
Estimated Cost: $ 158,652		**Estimated Cost:** $112,528	

Year 1 = $271,180
County & For-Profits at $15
Total Impacted: 363

County $15 Wage 136 Impacted/$158,652	
For-Profit $15 Wage 227 Impacted/$112,528	
Nonprofit $13 Wage	**Total**
Directly Impacted	445
Ripple Effect/Compaction	146
Total	**591**
Estimated Cost: $204,291	

Year 2 = $475,471
County & For-Profits at $15
Nonprofits at $13
Total Impacted: 954

County $15 Wage 136 Impacted/$158,652	
For-Profit $15 Wage 227 Impacted/$112,528	
Nonprofit $15 Wage	**Total**
Directly Impacted	606
Ripple Effect/Compaction	130
Total	**737**
Estimated Costs: $709,859	

Full Implementation = $981,039
All Organizations at $15
Total Impacted: 1,100

Notes:
Cost to the County for For-Profit organizations assumes contractors will absorb half the cost of an increase.
Cost to the County for Nonprofits assumes contractors would pass on 100% of the cost of an increase to the County.

APPENDIX B: Estimating Ripple Effect Raises

In this appendix, I provide further details on how I estimate the ripple effect raises in this memo.

All the relevant figures are presented in Table A.1. The first 2 columns are estimate taken from my research on ripple effect raises and presented in Chapter 11 of *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States* by Robert Pollin, Mark Brenner, Jeannette Wicks-Lim and Stephanie Luce (Cornell University Press, 2008). These figures show how much wages rise, in response to a state or federal minimum wage hike, at different points in the wage distribution, starting at the 10th wage percentile and up through to the 40th wage percentile. Column 1 describes how close the wages of workers earning around each wage percentile are relative to the wage floor prior to the minimum wage hike and column 2 describes what share of the minimum wage hike is experienced by workers in that wage position.

For example, in row 1, workers with wages around the 10th wage percentile earn, on average, the minimum wage, as indicated in column 1. Column 2 shows that workers earning around the 10th wage percentile experience 73 percent of the overall increase in the minimum wage. This figure is 73 percent rather than 100 percent because workers earnings wages slightly above the wage floor, for example, will experience slightly smaller raises. For each subsequent row, I show the size of the raises that workers experience in response to a minimum wage hike at higher points in the wage distribution. In row 7, for example, workers at the 40th wage percentile who earn, on average, 25 percent more than the minimum wage, can be expected to experience a raise from a minimum wage hike—not the full raise, but a raise nonetheless.

I use the figures in columns 1 and 2 to extrapolate the extent and size of raises due to raising the living wage from $15.00 to $16.75 – a 12 percent minimum wage hike. To do this, I assume that workers at the 10th wage percentile earn the current living wage rate of $15.00. To estimate the size of the raises that these workers receive, I assume that these workers will get the full wage floor hike of 11.7%. For all other workers, at points up the wage distribution, I use the wage positions indicated in column 1 relative to the $15.00 wage floor (see column 3) and estimate the size of the raises they receive scaled to the raises indicated in column 2 with one adjustment: I index these raises to equal 100% of the wage floor hike for the 10th wage percentile (see columns 4 and 5). Columns 6 and 7 show the outcomes of these raises.

Based on this exercise, I estimate that workers earning up through $19.20 receive ripple-effect raises due to increasing the living wage to $16.75. However, these workers receive much smaller raises. For example, workers earning $17.25 (row 5), receive a 4 percent raise to $17.91 rather than the full 12 percent increase in the wage floor.

Table B.1. Estimates of Ripple Effect Raises from $16.75 Living Wage Rate

	Retail Trade Industry Estimates from Wicks-Lim (2008)		Extrapolated for Sonoma County 11.7% Living Wage Hike to $16.75				
Wage percentile	1.Average Wage Relative to Old Minimum Wage	2. Proportion of Minimum Wage Hike Observed	3. Approximate Wage Rate with Living Wage Rate of $15.00 (col. 1 x $15.00)	4. Size of raise relative to direct raise *Assumption:* 10th Wage Percentile Receives Full 11.7% Wage Hike (col. 2/73%)	5. Raise Due to 11.7% Living Wage Hike (11.7% x col. 4)	6. Wage Rate with New Living Wage of $16.75 (col. 3 x col. 5)	7. New Wage Relative to New Minimum $16.75
1. 10th	100%	73%	**$15.00**	100.0%	11.7%	**$16.76**	100.0%
2. 15th	103%	60%	**$15.45**	82.2%	9.6%	**$16.94**	101.1%
3. 20th	107%	42%	**$16.05**	57.5%	6.7%	**$17.13**	102.3%
4. 25th	110%	20%	**$16.50**	27.4%	3.2%	**$17.03**	101.7%
5. 30th	115%	24%	**$17.25**	32.9%	3.8%	**$17.91**	106.9%
6. 35th	119%	21%	**$17.85**	28.8%	3.4%	**$18.45**	110.2%
7. 40th	125%	14%	**$18.75**	19.2%	2.2%	**$19.17**	114.5%

APPENDIX C: WAGE DISTRIBUTION OF EXTRA HELP WORKERS AS OF JUNE 2021

This wage distribution is based on data provided by Sonoma County Staff to to SEIU Lead Researcher Nicholas Peraino in response to his request for information during in July 2021.

Table C.1. Wage Distribution of Extra Help Workers, June 2021

Wage Range	Number of Workers	Mean Wage	Percent of All Extra Help Workers
$15 - $18	110	$16.77	14%
$18 - $20	31	$18.95	4%
$20 or more	648	$36.03	82%
All Extra Help Workers	789	$32.67	100%

APPENDIX D: DISTRIBUTION ACCRUED PAID SICK LEAVE HOURS OF SEIU EXTRA HELP WORKERS AS OF JUNE 2021

This distribution of accrued paid sick leave hours is based on data provided by Sonoma County Staff to SEIU Lead Researcher Nicholas Peraino in response to his request for information during in July 2021.

Table D.1. Distribution of Accrued Sick Hours Among SEIU-Represented Extra Help Workers, June 2021

Accrued Sick Hours (in days)	Number of Workers	Mean Accrued Sick Hours	Percent of SEIU Extra Help Workers
<1 day (<8 hours)	122	4	29.0%
1 day	71	11	16.9%
2 days	54	20	12.9%
3 days	33	28	7.9%
4 days	31	36	7.4%
5 days	22	44	5.2%
6 days	17	52	4.0%
7 days	10	59	2.4%
8 days	9	69	2.1%
9 days	51	72	12.1%
All SEIU Extra Help Workers	420	26	100.0%

APPENDIX E:
Wicks-Lim August 2, 2017 Memo
Re: “Estimating the Cost of Adding a 12 Paid Sick-Day Benefit to Sonoma County’s Living Wage Ordinance”

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To:	Marty Bennett, North Bay Jobs with Justice
From:	Dr. Jeannette Wicks-Lim, Asst. Research Professor, Political Economy Research Institute, University of Massachusetts-Amherst
Date:	August 2, 2017
Re:	Estimating the Cost of Adding a 12 Paid Sick-Day Benefit to Sonoma County's Living Wage Ordinance

Memo Summary

In this memo, I provide estimates of the potential fiscal impact of adding a 12 paid sick day mandate for covered workers by Sonoma County's Living Wage Ordinance (LWO). More specifically, the estimates included in this memo are focused on the costs of paid sick day benefits for covered workers of County (for-profit and non-profit) service contractors. This proposed mandate would effectively require these employers to increase the number of paid sick days for covered workers by 9 days, raising the already state-mandated 3 paid sick day standard to 12.[1]

Table 1 below provides a summary table of the estimated costs to employers as a result of adding this new benefit for covered workers employed by County service contractors. Overall, I estimate a total cost increase to employers of $24,000. Of this $24,000 cost increase I estimate that about $12,000 will be passed through to the County. This increase in spending is equal to an extremely small fraction (0.001%) of the County's total $1.57 billion budget and only 0.004% of the $308 million General Fund—the portion of the County's budget over which the County Supervisors have the greatest discretion.[2]

Note that these figures are gross cost estimates that do not net out potential cost savings. Employers can expect to experience some labor cost savings as a result of expanding their paid sick leave benefits. Labor cost savings can result from: (1) greater productivity among workers due to better health, reduced worker absenteeism and quicker recovery from illnesses, and higher worker morale; and (2) reduced worker turnover that, in turn, decreases employer spending on recruiting and training new workers. Such savings can offset some of the cost of providing this benefit. The cost figures in this memo, therefore, should be regarded as high-end estimates.[3]

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[1] Assembly Bill No. 304 enacted July 13, 2015 requires employers across the entire state of California to provide 3 paid sick days.

[2] See FY2017-18 Recommended Budget (http://www.sonoma-county.org/auditor/pdf/FY%202017-2018%20Recommended%20Budget%20Final%20V2.pdf)

[3] Estimating these savings is beyond the scope of this memo. For a discussion of these potential cost savings see "Valuing Good Health in California: The Costs and Benefits of the Healthy Families, Healthy Workplaces Act of 2008," by Vicky Lovell, Institute Women's Policy Research Publication #B259, April 2008.

In column 1 of Table 1, I first show the costs to County service contractors of the expanded paid sick day benefit. Next, in column 2 of Table 1 I show how much of the gross cost increases County service contractors will likely pass through to the County. County service contractors that experience cost increases due to providing an additional 9 paid sick days to their workers' benefits are unlikely to pass the entire increase to the County. In my 2014 report, *An Assessment of the Fiscal Impact of the Proposed Sonoma County Living Wage Ordinance,* I argue that County service contractors will not likely pass along the entire cost increase as long as it is modest.[4] This is because, "…the competitive bidding process [for County contracts]…incentivizes contractors to adjust to the living wage in ways other than raising their bid prices, since doing so could make their bid unsuccessful" [p. 6]. Therefore, as an approximation I will assume, as I did in my 2014 report, that these contractors will pass along about half of their cost increases, consistent with the findings of a 2003 study that surveyed the fiscal impact of 12 LWOs.[5] Column 3 shows the cost figures relative to its overall budget. Overall, the costs of adding paid sick days to the County's LWO can be expected to increase the County's total $1.57 billion budget by 0.001%. Column 4 shows the cost figure relative to the County's $308 million General Fund.

In sum, the upper-end cost estimate of requiring County service contractors to provide their workers covered by the County's LWO with 12 days of paid sick days is about $12,000, This is equal to 0.001% of the County's total recommended budget for FY2017-2018, and 0.004% of the County's General Funds budget. These cost figures do not net out cost savings that employers should experience from expanding paid sick leave benefits for their workforce. As a result, the County can expect the actual fiscal impact to be even more modest.

Table 1. Cost Increase to Sonoma County From Adding 12 Paid Sick Day Benefit to the County's Living Wage Ordinance

Type of covered worker	**(1) Cost of Paid Sick Day Benefit to Employers**	**(2) Cost of Paid Sick Day Benefit Passed Through to County**	**(3) Cost Pass-Through Relative to County's $1.57b Total Budget**	**(4) Cost Pass-Through Relative to County's $308m General Fund**
Employees of County service contractors exceeding $20,000*	$24,000	$12,000	0.001%	0.004%

Source: See Detailed Memo text for details.
Note: *The threshold for coverage of for-profit county contractors is 6 workers and one or more contracts totaling more than $25,000; and for non-profits it is 25 workers and contract(s) of more than $50,000.

[4] Available at: https://www.peri.umass.edu/publication/item/584-an-assessment-of-the-fiscal-impact-of-the-proposed-sonoma-county-living-wage-ordinance.
[5] Elmore, Andrew J. 2003. *Living Wages and Communities: Smarter Economic Development, Lower than Expected Costs*. New York: Brennan Center for Justice.

Detailed Memo

The estimates I provide in this memo are based largely on publicly available data published by the U.S. Labor Department and the U.S. Census. Some of the County-specific data, on the exact size and type of County service contracts, for example, is from my 2014 report, *An Assessment of the Fiscal Impact of the Proposed Sonoma County Living Wage Ordinance,* cited above. For that report, I had access to data on County service contracts that were likely to be covered by the County's LWO. I use these data to provide well-grounded approximations of the costs to the County of adding a 12 paid sick day mandate that covers County service contractors to its LWO. In the text below, I provide a detailed description of the methods I used to generate the cost figures reported in Table 1.

- *Employees of firms with service contracts with the County*
  Cost increase for County: $12,000

This group of workers includes those who work on covered County (for-profit and non-profit) service contracts. The potential fiscal impact of paid sick days via County service contractors may result from these contractors raising their bid prices to cover their new labor costs. In order to determine the potential size of this fiscal impact, I first approximate how much labor costs would increase for these employers, and from those figures, estimate how much these businesses will likely pass through to the County.

According to the U.S. Labor Department, service sector employers spend 1.1 percent of payroll on providing the current level of paid sick days.[6] This 1.1 percent cost figure reflects a combination of factors, including not only the wage/salary level of workers with these benefits, but also the share of the workforce with access to paid sick days (64 percent), the average number of paid sick days offered (9 days), and the share of these potential sick days actually used (40 percent).[7]

I adjust this 1.1 percent of payroll cost figure to determine what the cost to employers would be if they offered paid sick days to their entire workforce, and the number of days offered rises from the current average of 9 days to 12 days.[8] This adjusted figure suggests that the employers' costs of providing all of their workers on County contracts 12 days of

[6] These figures are from the Labor Department's Bureau of Labor Statistics Employer Cost for Employee Compensation program.
[7] The share of workers with access to paid sick days is for 2016, for private sector workers in the service-providing industry. The average number of paid sick days offered and used are based on 2009 data published in, "Paid Sick Leave: Prevalence, Provision, and Usage among Full-Time Workers in Private Industry," by Ross O. Barthold, Jason L. Ford, in Compensation and Working Conditions, Bureau of Labor Statistics. Originally Posted: February 29, 2012 (https://www.bls.gov/opub/mlr/cwc/paid-sick-leave-prevalence-provision-and-usage-among-full-time-workers-in-private-industry.pdf).
[8] I adjust the 1.1 percent cost figure as follows. First, I adjust the cost to reflect coverage of 100 percent of workers to 1.7 percent (1.7 percent=1.1 percent /64 percent). I then inflate this 1.7 percent figure to 2.2 percent to reflect the provision of 12 paid sick days, up from 9 (2.2 percent = 1.7 percent x 12/9).

paid sick days will equal in the range of 2.2% of their total wage bills; this represents a cost *increase* of 1.1 percent of their wage bills.

In Table 2 below, I provide information about the industries that I assume will be represented among the service contractors covered by the LWO. This industry composition is based on my 2014 report (see footnote 4). For the 2014 report, I received data collected by SEIU 1021 on the County's service contracts for calendar year 2012 that exceed $20,000. From these data, I identified five departments that held the largest shares of contracts (by contract value). These include Health Services, Human services, Water Agency, Human Resources, and Transportation and Public Works. The contract values of these five departments comprised 84 percent of the total value across all contracts exceeding $20,000. In other words, the contracts held by these departments represent the lion's share of the County's spending on service contracts that exceed $20,000. I then identify the industries that most closely match the activity of these departments as the basis for the industry composition of current service contractors covered by the LWO.

Table 2. Costs of Paid Sick Leave as a Share of Total Revenue, by Industry, County Service Contractors

Industry Sector	(1) % of County Service Contracts of $25,000 or more	(2) Payroll as % of Total Revenue	(3) % of Total Revenue Needed to Cover 1.1% Increase in Payroll (1.1% x col. 2)
Health care and social assistance	51%	37%	0.41%
Utilities	17%	11%	0.12%
Transportation and warehousing	8%	27%	0.29%
Finance and insurance	8%	18%	0.20%
Other	16%	20%	0.22%
		Weighted (by col. 1) Average:	0.3%

Sources: Column 1: Wicks-Lim (2014), p. 29; Column 2: Economic Census, 2012

This industry composition is an important factor in determining how much of an impact the 1.1 percent increase in payroll will have on County contractors' overall operating costs, and in turn, the overall level of revenue the contractors need to generate to cover this payroll increase. Specifically, the amount of revenue firms need to generate to cover their increase in labor costs depends on what share of their revenue is spent on payroll. I present the figures on payroll as a share of revenue in column 2, and I show in column 3 the resulting percent increase in total revenue employers would need to cover the new benefit. The final row in Table 2 provides the weighted average of this cost increase as a share of revenue across the service sectors represented among County service contractors. I estimate that, on average, County service contractors will need to generate 0.3% more revenue to cover the costs of the paid sick day LWO mandate. Put another way, to fully cover the cost increase of providing 12 paid sick days to its workforce, an average County service contractor would need to increase the price of its contract to the County by 0.3%.

The size of the cost pass-through to the Country from service contractors will likely be smaller than this figure. First, as noted above, these cost figures do not take into account any cost savings employers may achieve by providing these expanded benefits, Second, as I noted in my 2014 report, County contractors are unlikely to pass through their entire cost increase. This is because, "…the competitive bidding process [for County contracts]…incentivizes contractors to adjust to the living wage in ways other than raising their bid prices, since doing so could make their bid unsuccessful." [p. 6]. Therefore, as an approximation I will assume, as I did in my 2014 report, that these contractors will pass along about half of their cost increases, consistent with the findings of Elmore's 2003 study (see footnote 4) that surveyed the impact of 12 living wage ordinances.[9]

I do not have access to the current spending on County contracts covered by the Sonoma LWO. As a result, I estimate this spending amount by assuming that the proportion of the County's budget spent on these types of contracts has not changed substantially over the last five years. Based on 2012 data on contracts described above, the County spent about 5 percent of its total budget on County service contracts that would be covered by the terms of its LWO.[10] I use this 5 percent figure to estimate that—based on the $1.57 total recommended budget for FY2017-18—Sonoma County will spend nearly $80 million on covered County service contracts (0.05 x $1.57 billion = $78.5 million). A cost increase equal to 0.015% of these covered County service contracts represents approximately $12,000 ($12,000=0.00015 x $80 million). In other words, this may increase the County budget by $12,000.

Dr. Jeannette Wicks-Lim *is an Assistant Research Professor at the Political Economy Research Institute. She earned her Ph.D. in Economics at the University of Massachusetts Amherst in 2005 and her BA at the University of Michigan-Ann Arbor in 1993. Wicks-Lim specializes in labor economics with an emphasis on the low-wage labor market, the political economy of race, and the intersection of income, employment and health outcomes. She is co-author of A Measure of Fairness: The Economics of Living Wages and Living Wages in the United States (2008). Her journal articles and policy studies cover a wide range of topics, including the effects of minimum wage and living wage laws on all low-wage workers in the U.S. and their families, as well as, more specifically, according to racial and gender-based demographic categories; the impact of Social Security on child poverty; the role of the Earned Income Tax Credit on improving population health outcomes; and the employment-related impacts of clean energy policies. Wicks-Lim regularly contributes to the magazine Dollars & Sense. She frequently serves as an economic policy consultant for state and municipal legislative committees in her areas of research expertise. She has been a member of the program committee of the Labor and Employment Relations Association (LERA) since 2011, and currently serves as co-chair.*

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[9] Elmore, Andrew J. 2003. *Living Wages and Communities: Smarter Economic Development, Lower than Expected Costs*. New York: Brennan Center for Justice.
[10] This figure is from my 2014 report, see p.7.

APPENDIX F
Wicks-Lim November 23, 2015 Memo
Re: Impact of $15 Living Wage for Temporary County Fair Workers

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To: Sonoma County Board of Supervisors, County Administrator Veronica Ferguson, and County Staff
From: Dr. Jeannette Wicks-Lim, Political Economy Research Institute, University of Massachusetts-Amherst
Date: Nov. 23, 2015

Re: Impact of $15 Living Wage for Temporary County Fair Workers

SUMMARY OF FINDINGS

- **Mandated cost increases will be in the range of $450,000.** I agree with General Services Director Ms. Tesconi's estimates that mandated raises for the Sonoma County Fair will be in the range of $450,000. This figure is also consistent with my own cost estimate, as reported in my 2014 study, "An Assessment of the Fiscal Impact of the Proposed Sonoma County Living Wage Ordinance."

- **Ripple effect cost increases can be expected to add another $25,000.** Employers may choose to give raises to workers earning more than the minimum wage after a minimum wage hike in order to preserve the wage hierarchy, or wage scale, in their firm. These types of raises are referred to as "ripple effect" or "spillover" raises. My extensive research on the ripple effect of past minimum wage and living wage measures has found that employers typically maintain a similar but different wage hierarchy before and after a change in their wage floor. In particular, employers tend to implement raises that compress the wage scale, giving the lowest paid workers the largest raises, and only some workers above the wage floor smaller, ripple effect raises. Based on this evidence, I estimate that the cost of ripple effect raises will be about $25,000. This figure diverges sharply from Ms. Tesconi's ripple effect cost figure of roughly $250,000, which assumes that the Fair will maintain the same wage hierarchy before and after implementation of a $15 minimum wage.

- **The impact of a $15 living wage on admission prices depends on which revenue sources the Fairgrounds uses to fund the raises.** Ms. Tesconi's figures regarding potential admission price increases of more than $3.00 assume that only paid admissions revenue will be used to cover the living wage raises. However, the Fairgrounds have multiple revenue sources. If all revenue-generating activities by the Fairgrounds help fund living wage raises, the cost increase for admission prices can be expected to be in the range of 5%. This is equal to a ticket price increase from $11 to $11.60 for adults and $5 to $5.25 for children. If the Fairgrounds only uses County Fair proceeds to cover the living wage raises, then admission prices can be expected to rise 10%, increasing ticket prices from $11 to $12.10 and $5.00 to $5.50.

I. Assessment of County's Cost Increase Estimate for the Sonoma County Fair

I've reviewed the estimates of the potential cost increase by Ms .Tesconi and her staff provided in a memo forwarded to me on October 28, 2015 from Marty Bennett, Co-Chair of the North Bay Jobs with Justice. In that memo, she provides two sets of cost estimates. The first assumes that any covered workers would receive only mandated raises (i.e., raises sufficient to achieve $15.00 per hour). The second assumes that covered workers would additionally receive sufficient raises to preserve the same wage scale that currently exists. Economists frequently refer to these additional raises as "ripple effect" or "spillover" raises. Below I discuss each separately.

Mandated Raises. Ms. Tesconi's estimates, based directly from the Fairground's workforce records, indicate that mandated raises would sum to $406,213 (including both wage increases and increased employer payroll costs) for 527 temporary workers and $45,034 for 9 seasonal workers. In total, mandated raises would equal approximately $450,000.

The County's figure is less than, but similar to, my approximation of $500,000 for these costs. I reported this figure in my 2014 fiscal impact analysis (see p. 12 of "An Assessment of the Fiscal Impact of the Proposed Sonoma County Living Wage Ordinance."). I generated my estimates based on approximate figures provided in a "County of Sonoma Agenda Item Summary Report" titled, "Sonoma County Fair and Temporary Employees," from October 8, 2013, using a somewhat conservative assumption that all temporary workers earned California's $9.00 minimum wage. I also assumed an approximate workforce size of 600—a bit larger than the actual workforce. These two factors help explain why my figure is somewhat larger than Ms. Tesconi's.

In sum, the estimated cost of mandated raises seem clearly identified as in the range of $450,000.

Ripple effect raises. A key feature of ripple effect or spillover raises is that they are hard to project precisely because they are not mandated. Employers, such as the Fairgrounds, have some discretion over the extent and size of ripple effect raises, balancing what is financially desirable with what pay incentives need to be preserved for more experienced workers or more challenging jobs. This is indicated by Ms. Tesconi's memo which notes that her estimates assume that the "…existing wage scale [will] be maintained, however, the cost to do so may prove to be too much of a financial burden to pass on to customers. A new rate structure for seasonal employees may need to be developed."

I have extensively studied ripple effect raises in my own research, including for my doctoral dissertation and in published work such as my co-authored book, *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States* (published by Cornell University Presss, 2008). For typical minimum wage hikes, ripple effect raises tend to be limited to workers very close to the new mandated wage floor and the size of the raises are smaller for workers further up the wage distribution. This has the effect of compressing a firm's wage scale: the lowest paid workers get the largest raises, and workers above the wage floor get smaller ripple effect raises. These raises tend to be sufficient to preserve their position above the wage floor but not their distance from it. In other words, employers typically maintain a similar but different wage hierarchy before and after a change in their wage floor. Based on these observations, I would not expect the Fairgrounds to maintain the same wage scale after the passage of a $15 minimum. In my view, Ms. Tesconi's upper-end cost estimates are too high because they include ripple effect raises that preserve the same wage scale before and after the passage of a $15 minimum wage. Her upper-end estimates suggest that ripple effect raises would add about $245,000 in raises.

I approximate what type of ripple effect raises the Fairgrounds may adopt using a method I have developed to estimate ripple effects raises from other large minimum wage hikes. This method is described in detail in my recent 2015 co-authored report, "A $15 U.S. minimum wage: How the fast food industry could adjust without shedding jobs." This method combines empirical observations on ripple effect raises from minimum wage laws, as well as, living wage ordinances that impose a wage floor hike similar in size to the Sonoma County proposal.

The first step in this exercise is to draw a more detailed picture of the wage distribution than what is provided in Ms. Tesconi's October 28, 2015 memo. To do this, I requested and received more detailed information about the wage schedule of the 527 workers from Deputy County Administrator Rebecca Wachsberg. This information includes the number of workers that fall within each wage category shown in Table 1 below and their total hours worked. Working with these figures, combined with the mandated wage costs that Ms. Tesconi provided in her memo, I can approximate average wages for each group. As you can see in the bottom row of Table 1, my approximation of the costs of the mandated raises for these 527 workers closely matches the figure from Ms. Tesconi's memo—falling within a couple thousand dollars.

Table 1: Cost of Mandated Raises from $15 Living Wage for 527 Temporary Workers

Wage range:	**$9.00-$11.01**	**$11.01-$13.01**	**$13.01-$16.00**
1. # Workers	447	54	26
2. Total Hours worked	58,842	14,600	5,694
3. Avg. Hourly Wage*	$9.60	$12.00	$14.50
4. Mandated Raise ($15.00 – row 3)	$5.40	$3.00	$0.50
5. Total cost of mandated raises (row 2 x row 3)	$317,747	$43,800	$2,847
6. Add 12% for Payroll/W/C (row 5 x 112%)	$355,876	$49,056	$3,189
Total cost of mandated raises across all workers (cols. 1-3 of row 6):			$408,121

* I approximate the average wages so that my total cost figure (nearly) replicates Ms. Tesconi's overall mandated cost estimate of $406,213.

I requested but did not receive wage or hours data for the 9 seasonal employees. As a result, for those workers I have to make additional assumptions, which I'll discuss further below.

Table 2 presents my estimates of the cost of the $15 minimum, now including ripple effect raises. Again, these are based on past empirical research on how employers typically respond to increases in their mandated minimum wages.

For example, in row 4, I estimate that workers in the lowest wage group—those earning between $9.00 and $11.00—will see their average wage rise from $9.60 to $15.05. Hypothetically, this could result from all workers in the group rising from $9.60 to $15.05. Or, if wage rates vary across workers in this group, then workers currently earning the state's $9.00 minimum may go up to $15.00, and workers currently earning $10.00 may go up to $15.20, for example, achieving an overall average wage rate of $15.05. For workers earning between $11.00 and $13.00, I assume that they will get raises that situate their pay raises above, but much closer to, those in the lower wage range, for an average wage rate of $15.10. And finally, for workers earning between $13.00 and $16.00, I assume that these workers' average wage goes from $14.50 to $17.50.

Note that it is possible that ripple effects could extend further if there are workers earning more than $15 and are covered by the living wage proposal. However, since Ms. Tesconi did not include such workers in her estimates—even in the estimates that maintain the same wage scale—I assume in this analysis that the Fairgrounds is not considering adopting any other ripple effect raises.

Table 2: Cost of Mandated and Ripple Effect Raises from $15 Living Wage for Temporary Workers

Mandated and Ripple Effect Raises	**$9.00-$11.01**	**$11.01-$13.01**	**$13.01-$16.00**
1. # Workers	447	54	26
2. Total Hours worked	58,842	14,600	5,694
3. Avg. Hourly Wage Before $15 minimum*	$9.60	$12.00	$14.50
4. Avg. Hourly Wage After $15 minimum	$15.05	$15.10	$17.50
5. Mandated + Ripple Effect Raises	$5.45 ($15.05-$9.60)	$3.10 ($15.10-$9.60)	$3.00 ($17.50-$14.50)
6. Total cost of all raises (row 4 x row 2)	$320,689	$45,260	$17,082
7. Add 12% for Payroll/WC	$359,172	$50,691	$19,132
Total cost of mandated and ripple effect raises across all workers (sum of cols. 1-3 of row 6):			$428,995

* I approximate these so that the mandated cost figures replicate Ms. Tesconi's overall mandated cost estimate of $406,213 (see Table 1).

According to my estimates the ripple effect raises for the 527 temporary workers would add a small amount to the total cost, about $21,000 or an increase of 5 percent. This is due to two factors. First, the very large majority of the raises will be mandated since most workers earn right near the wage floor. Second, if the Fairgrounds follows the practice of past employers they will not maintain the same wage scale with a $15.00 minimum wage.

To add in the cost of the 9 seasonal workers I assume that the relationship between the cost increase due to ripple effect raises over mandated raises will be similar to what I estimated for the 527 temporary workers. In other words, I would expect ripple effect raises to add 5 percent to the costs of the mandated raises estimated by Ms. Tesconi of about $45,000, or about $2,300. The total cost of raises for these 9 seasonal workers, including both mandated and ripple effect raises will sum to about $48,000.

I estimate that the overall cost increase from a $15.00 living wage for all 536 covered temporary and seasonal workers will be about $475,000.

Based on this analysis, the estimated cost of mandated and ripple effect raises can be expected to be in the range of $500,000.

II. Impact of Cost Increases on Fair Prices

Past economic research on minimum wages indicate that firms typically adjust to higher minimum wage by: (1) raising prices, (2) offsetting cost savings due to lower worker turnover, and (3) redistributing revenue within the firm, e.g., using normal revenue growth to pay for the raises of the lowest paid workers. At the same time, every specific firm operates within its own unique circumstances—I do not have any special knowledge on the full range of ways the Fairgrounds may or may not adjust to specific cost increases. Therefore, I limit the purpose of this section to putting the overall costs of a $15.00 living wage into context with the resources available to the Fairgrounds to cover such costs.

According to the FY2015-2017 Recommended Budget, the Fairgrounds anticipates that it will have approximately $9.5 million in revenue during the FY2015-2016. The revenue sources include the County Fair ($5.2 million), Horse Racing/Satellite Wagering ($1.8 million), Capital Contributions & Other ($267,000), Interim Events ($1.7 million), and the Fund Balance ($563,000).

If we assume that the Fairgrounds will fully pass through its increased labor costs to its consumers, then the size of the price increases it implements will depend on which revenue sources it uses to fund the raises. Prices may be increased across all of the Fairgrounds revenue sources, within the County Fair specifically, or even more narrowly, within the paid admissions of the County Fair. The ultimate mix of price increases should be made to minimize any negative impacts on demand, and therefore, on overall revenue.

Table 3 provides estimates of the how much prices would need to rise in order to fully pass along the labor cost increase to consumers. I am using the word "prices" to cover all charges that the Fairgrounds applies to users of the Fairgrounds (e.g., concessionaires, parking). Note too that these figures ignore the potential savings that the Fairgrounds may experience from the lower recruiting and training costs typically associated with higher quality job offerings. The figures in Table 3 also assume that the Fairgrounds will not have any increase in overall revenue growth due to operating in a healthy local economy, which it could use to help pay for the raises.

Table 3: $15 Living Wage Cost Increase Relative to Fairground's Revenue Sources

Revenue Source	Amount	Price increase needed to cover cost increase	Example: Admission price would rise from $11 (adult)/ $5 (child) to:
1. All Revenue Streams	$9,544,640	5.2%	$11.60/$5.25
2. County Fair only	$5,217,400	9.6%	$12.10/$5.50
3. Ticket admissions only*	$1,571,082	32.0%	$14.50/$6.60

*Ms. Tesconi provided the paid admissions figure via email correspondence. The other figures are from the FY2015-2017 Recommended Budget.

The numbers in row 1 of Table 3 show that if the Fairgrounds raised its prices across all its revenue sources, then the price increases would be in the range of 5 percent. This would represent increasing an $11 adult admission to about $11.60 or a $5 child admission to $5.25. If the Fairgrounds only raises prices for County Fair related revenue streams, including paid admissions, concessions, and parking fees, price increases would be in the range of 10 percent. Finally, if the Fairgrounds only wants to consider raising prices on paid admissions, then the price increases would be in the range of a 32 percent price increase. Ticket prices in this scenario would be in the range of a $3.50 increase for adults ($11 to $14.50) and $1.60 for children ($5 to $6.60). In other words, the price impact to consumers will vary considerably depending on how widely the Fairgrounds decides to spread this labor cost increase across its revenue sources.

To the extent that sales decline in response to the price increases, further price increases may need to be made. Recall however that these figures assume that the Fairgrounds will not have any other way to absorb these cost increases, including adjustment channels that other businesses have typically used. Again other firms impacted by minimum wage hikes typically experience cost savings due lower worker turnover, which in turn, lowers firms' recruiting, training, and hiring costs. Also, if the local economy is growing at a healthy clip, firms tend to see their revenue rise because consumers have more income to spend, particularly on items such as arts and entertainment.

Will there likely be further price adjustments due to a fall in ticket sales in response to the cost increase? How ticket sales respond to price increases seems is unclear. Ms. Tesconi described in an email correspondence that the rule of thumb she uses is that a $1-price increase can be expected to reduce sales by about 5 percent. As a result, raising ticket prices by $3, the attendance level is expected to decline by 15%, from 176,923 (2015 level) to 150,385. At the same time, in the section of the FY 2015-2017 Recommended Budget that discusses the "Budget Changes" for the Fairgrounds (p.236), the narrative describes how a $1 increase in prices (or 9% increase) should increase Fair revenue by $180,000. Based on the most recent admission figure (176,923 paid admissions) this suggests that a $1 price increase may not be expected to affect ticket sales at all.

Additionally, the recent trend in paid admissions and ticket prices simply appear unrelated. Ms. Tesconi supplied these data to me via email correspondence on Nov. 13, 2015. Since 2011, ticket prices increased twice. In the first instance, in 2012, ticket prices increased from \$9 to \$10 for adults and \$3 to \$5 for children but appear to have minimally impacted admissions (-2%). In the second instance, ticket prices for adults only increased by \$1, yet paid admissions declined by 8%. In 2015, paid admissions declined further (3%) though ticket prices remained unchanged. Paid admissions may be declining, but this appears to be due to factors other than ticket prices. In other words, to maintain attendance levels, and thereby enable price increases to support a living wage policy, it appears that aspects of the County Fair, other than admission prices, need adjustments.

Another way to interpret the inconsistent relationship between price increases and paid admissions is that small \$1 increases may tend to produce little to no impact on paid admissions and therefore other factors influence sales more strongly. Larger jumps in the range of \$3, on the other hand, may have a different impact. If larger price jumps produce stronger reactions among consumers than one potential policy solution may be to spread the cost increase, at minimum, across all revenue-generating activities at the County Fair. This would require a 10% increase in prices, or about a \$1.00 in increase in the cost of an adult admission ticket. Alternatively, the cost increase could be spread across a narrower set of the County Fair's revenue-generating activities and the County Fair could adopt the \$15 minimum wage over a period of two years, instead of one.

One anecdotal, but perhaps relevant, example of how ticket price increases in the range of \$2.00 - \$3.00 may be used to cover increased costs is the experience of the Napa Town and Country Fair. According to reporting in the *Napa Valley Register*, in 2011, the Napa Town and Country Fair increased its admission prices from \$10 to \$13 for adults, and \$7 to \$10 for youth and seniors (see "Fair attendance down slightly, but higher prices fill revenue gap," by Kevin Courtney, August 24, 2011 and "Fair official pleased with stable attendance," by Howard Yune, August 15, 2012). Attendance that year and immediately after fell only slightly, -2.9% in 2011, +0.3% in 2012 (+0.3%). Of course it is hard to know the confluence of factors that contributed toward the relatively stable attendance level despite a \$3.00 price increase. At the same time, the Napa Town and Country Fair's experience suggests that it is possible that a \$3 price increase can be adopted with less of an impact than may be assumed by Ms. Tesconi's analysis.

In sum, the potential impact of the \$15 living wage on Fairground prices varies widely, and depends on the revenue sources it chooses to use to absorb their increased labor costs. Additionally, the pattern of past attendance levels and price increases do not provide any clear indication that the range of possible price increases needed to accommodate a \$15 living wage will negatively affect County Fair attendance levels.

APPENDIX G
Sonoma County Director of General Services Ms. Tawny Tesconi
Memo, circa October 28, 2015
Re: "Living Wage Ordinance Impact on the Fair"

Living Wage Ordinance Impact on the Fair

Fair employee overview:

- County = 27 employees
  - Full-time

- Temporary affected by a $15/hr living wage = 527 employees
  - Primarily employed for 3 weeks during the Fair (less than 6 months)
  - 26% have worked for the Fair for 5 years or more
  - Examples of job duties:
    - Maintenance – Janitorial/garbage and grounds clean up
    - Parking – Selling and crossing guard duties
    - Operations – Ticket sellers, takers and greeters
    - Racing – Grandstand ushers
    - Special Events/Attractions – Kids area, customer service
    - Exhibits – Building monitors for still exhibit entries, livestock show/barn crews
  - Employment status:
    - Teachers, students, retirees, un-employed and/or other primary employment
      - Many are long-time employees who return to work the fair each year. Some are looking for a little extra summer spending money, others enjoy the experience and camaraderie.
      - For many students, working the Fair is their first job, providing resume building opportunities
    - A sampling of 183 employees have been polled by hiring managers for the Fair's two largest departments – Parking and Operations.
      - Results found that:
        - 51% are students (College or High School)
        - 6% are teachers or work in the school system
        - 19% have another form of primary or part-time employment
        - 13% are retired
        - 12% are un-employed or unknown

Financial impact to the Fair at a $15/hour Living Wage for employees working less than 6 months is over $590,000

- *This is suggesting that the existing wage scale be maintained, however, the cost to do so may prove to be too much of a financial burden to pass on to customers. A new rate structure for seasonal employees may need to be developed if a Living Wage ordinance were to be implemented for Fair's seasonal employees.*

Financial impact on the $590,853 cost of Living Wage at $15/hour to the customer:

    - **Gate admission increase of $3.34 (from $11 to $14.34) per 2015 paid admissions of 176,923**
    - This increases child admission prices from $5 to $8.34 or by 67%
    - Fair should assume a 15% decrease in paid admissions, due to increased ticket prices – raising the cost further to $3.93 ($15) per decrease of paid admissions to 150,385
    - **Fair may have to choose between raising admission prices or cutting programming areas**

- <u>Seasonal affected by a $15/hour Living Wage = 9 employees</u>
    - Employed for 6 months or more
    - Examples of job duties:
        - Maintenance – Janitorial/garbage and grounds clean up duties for event rentals
        - Parking – Selling and crossing guards for non-Fair events
        - Operations – Ticket sellers, takers and greeters for non-Fair events
    - Type of employees:
        - Teachers, students, retirees, un-employed and/or other primary employment
            - Many are looking for the flexibility of temporary work (evenings or weekends during events)

Financial impact to the Fair at $15/hour Living Wage for seasonal (6 month or more employees) = $106,183

    - *This is suggesting that the existing wage scale be maintained, however, the cost to do so may prove to be too much of a financial burden to pass on to customers. A new rate structure for seasonal employees may need to be developed if a Living Wage ordinance were to be implemented for Fair's seasonal employees.*

APPENDIX H
Dr. Peter Hall, Urban Studies Program, Simon Fraser University
November 23, 2015
Re: Review of potential fiscal impact estimates of the proposed County of Sonoma Living Wage Ordinance on the Charles M. Schulz-Sonoma County Airport (STS)

SIMON FRASER UNIVERSITY
AT HARBOUR CENTRE

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23 November, 2015

To: Sonoma County Board of Supervisors, County Administrator Veronica Ferguson and county staff

From: Dr. Peter Hall, Urban Studies, Simon Fraser University

Thank you for the opportunity to review the estimates of the potential fiscal impact of the proposed County of Sonoma Living Wage Ordinance on the Charles M. Schulz-Sonoma County Airport (STS). These estimates include both those contained in the report prepared by Dr. Jeannette Wicks-Lim, as well as the estimates prepared by Mr. John Stout, Airport Manager. I also appreciated the opportunity to discuss the estimates by phone with Mr. Stout on 12 November, and to participate in a conference call on 13 November with him, county staff, and leaders of the Living Wage campaign.

In this brief letter, I would like to address five points:

1) The financial management of the airport as an 'enterprise department' implies that there is essentially no mechanism for the costs of the Ordinance to be passed on to the County. This is consistent with management of most United States airports, it was confirmed in my discussion with Mr. Stout, and Dr. Wicks-Lim's report is correct on this point.[i] The airport as a self-funding entity achieves an approximate balance of expenditure and revenue, which Mr. Stout estimates to currently be in the order of $5-6m per year ($4.2m in 2013/4).

2) In her study, Dr. Wicks-Lim estimated the costs of the proposed ordinance by using available studies about the fiscal impacts of the Living Wage Ordinances implemented at two public airports: San Francisco[ii] and Oakland[iii]. I was a co-author for both of these studies. Dr Wicks-Lim concluded that, "averaging of these two cost estimates, I estimate that businesses at the airport would face cost increases in the range of 0.9 percent of total revenue" (page 11). The cost estimates in the San Francisco and Oakland studies were conservative for two reasons. First, they did not include any compensating benefits for

employers such as reduced employee turnover and improved worker productivity. Second, they were generated for two predominantly scheduled air service airports, where the share of low-wage passenger service employment is higher than it is at STS. However, Mr. Stout has argued that the general aviation operations of STS may be more price sensitive than scheduled air services. The implications of this reasonable argument are addressed in point #4 below.

3) I find that the costs of applying the Living Wage Ordinance to businesses with service contracts at the airport are modest, and in line with the estimate prepared by Dr. Wicks-Lim. The only airport service contract significantly impacted by the $15 dollar an hour living wage law is a cost-plus contract to manage airport parking services. Mr. Stout estimates the costs of increasing wages for parking service workers to be $36,800 per year. All other service contracts for the airport are handled by the County's purchasing department, and they are often combined with contracts for services provided to other County Departments. The Airport Manager could not provide detailed data about these contracts. However, the overall point is that the cost impact of these contracts will be of the same order as similar County contracts covered by the Ordinance. These were shown by Dr. Wicks-Lim to be modest. [iv] To minimize the administrative burden that would result from handling Airport contracts separately, and to ensure that the Airport also secures some of the compensating benefits from the Ordinance (such as new market entrants bidding for service contracts, turnover reductions and improved productivity), I would recommend that the Airport service contracts continue to be handled and covered in the same way as other County service contracts.

4) The Airport tenants will only be required to pay the Living Wage if they have both, (a) 25 or more employees working at the site of the lease, and (b) that they generate at least $350,000 annual gross receipts. These are the thresholds for leased property in the proposed Living Wage Ordinance.[v] It was confirmed in my discussion with Mr. Stout and the conference call that of all the leases at the airport it is likely that only three will be affected by the ordinance. It is essential that the Board of Supervisors and general public understand that the proposed Living Wage Ordinance will not cover most leases at the airport. It is also important that the coverage of sub-tenants be confirmed, since this may affect one of the industrial property tenants.

   Conversation with Mr. Stout identified three tenants which have enough employees and generate enough revenue, and which also pay wages below the Living Wage level, and which hence may be affected:

   a. Kaiser-Santa Rosa Jet Centre and Sonoma Jet Centre: these firms provide services to the corporate jet and other general aviation operators at the airport. In the absence of detailed wage data, Mr. Stout reports that these tenants anticipate that the Living Wage will affect between one-third and one-half of their on-site employees. Furthermore, some of the customers of these tenants may have the ability to switch to other airports (such as Napa) if price rises are significant. The best available wage data indicates that the estimate that one-third to one-half of employees of these tenants are currently paid less than $15 per hour may be correct. However, even entry-level employees in this sector earn substantially more than the current state minimum wage ($9 per hour). The U.S. Census Bureau's Quarterly Workforce Indicators provides monthly average earnings for all employees and for those who started working, by quarter. For the "Support Activities for Air Transportation" sector for Sonoma County for 2014, the available data range from $3,400 to $4,000 per month (or $19 to $23 per hour) for all employees, and from $1,900 per month (or $11 per hour) and upwards for entry-level employees. This means an expected maximum wage increase of 36%, rather than the 67% used by Dr. Wicks-Lim in her study (which was based upon an increase in wages from the current California $9 an hour minimum wage to the $15 an hour living wage level). In the absence of further information from the affected tenants, this U.S. Census wage data provide more evidence that the Living Wage increase is likely to be affordable and without substantial adverse effect.

b. Sky Lounge Steakhouse, including restaurant and kiosk: currently this tenant does not employ more than 25 employees but this may change if the airport successfully attracts additional scheduled air services. With a fixed rental for the restaurant, this tenant does not have any mechanism to transfer higher wage costs to the Airport without renegotiation of their lease. The kiosk lease is based on revenue-sharing, in which the rent is a percentage of sales. If both parts of this lease were based on revenue-sharing, the restaurant would be somewhat protected from any decline in sales should they pass the cost of a Living Wage increases on to their customers. It may in any event be appropriate for the Airport Commission to renegotiate this lease, and perhaps separate the restaurant and kiosk leases in order to introduce some competition, especially if scheduled air services do expand.

5) For the foreseeable future, the living wage ordinance is unlikely to affect scheduled air service operations, or their expansion. The airport is currently served only by Alaska Airlines which generates substantial revenue through its STS operations, but does not have 25 employees at the site. Alaska must comply with similar wage and employment mandates at most major west coast airports it services, including competitor airports (SFO, OAK, SJC) and destination airports (SEA, LAX, ONT). The Airport Commission would like to expand scheduled air services at STS, and this is most likely to be achieved by attracting a new airline, or by an expansion of Alaska Airline services. In either case,

it is unlikely that the Living Wage threshold of 25 employees will be reached in the near future by Alaska or another airline.

In summary, in my opinion, the implications for the Sonoma County Airport of the proposed Living Wage Ordinance are modest and manageable with respect to service contracts, and are unlikely to have a negative impact on the desired expansion of scheduled air services. The Living Wage law will affect only a small number of tenants, and the Airport Commission should be able to work with these tenants to clarify, and if necessary, mitigate the effects while achieving the on-site and wider social benefits of paying higher wages.

If you have any more questions, please do not hesitate to contact me by email at pvhall@sfu.ca.

Yours sincerely,

Peter V Hall, Professor

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[i] Jeannette Wicks-Lim. 2014. *An Assessment of the Fiscal Impact of the Proposed Sonoma County Living Wage Ordinance*, University of Massachusetts, Amherst, Political Economy Research Institute (PERI) September 2014. Downloaded at: http://northbayjobswithjustice.org. See pp. 10-11 and 29-30 on the Sonoma County Charles Schultz Airport.

[ii] Reich, Michael, Peter Hall and Ken Jacobs. 2005. "Living Wage Policies at the San Francisco Airport: Impacts on Workers and Businesses," *Industrial Relations* 44(1): 106-138.

[iii] Zabin, Carol, Michael Reich, and Peter Hall. 1999. *Living Wages at the Port of Oakland*. Berkeley, CA: Center for Labor Research and Education, Center on Pay and Inequality, Institute of Industrial Relations.

[iv] In her report summary, Dr. Wicks-Lim states that "County service contractors will experience, on average, a cost increase equal to 1.2 percent of their revenue. Among these covered businesses, service contractors take up the largest share of the County's budget." (page 1)

[v] See proposed Living Wage Ordinance at http://northbayjobswithjustice.org