

South Bay Cities Council of Governments

February 8, 2016

TO: Steering Committee

FROM: Jacki Bacharach, Executive Director

SUBJECT: Minimum Wage and Related Matters

BACKGROUND

The minimum wage in California has increased from \$9.00 per hour to \$10.00 per hour as of January 1, 2016. This change is important not only to companies that employ lower-wage workers, but also because it affects the standard for exempt status. For example, in order to be exempt from being paid overtime under the executive, administrative and professional exemptions, the employee must be paid at least twice the minimum wage per month. This means that in 2016 the minimum annual salary to be considered an exempt employee in California will rise to \$41,600 which is twice the minimum wage as an annual salary.

In addition at the federal level, the U.S. Department of Labor is scheduled to release its proposed final rule regarding amendments to the Federal Fair Labor Standards Act in 2016. The department proposes to set the standard salary level at the 40th percentile of weekly earnings for full-time salaried workers. As proposed, this would raise the salary threshold from \$455 per week (the equivalent of \$23,660 per year) to about \$970 a week (\$50,440 a year) in 2016. The time frame for the ruling announcement could be as early as April 1, 2016 with an effective date 60 days later requiring employers to comply with the new regulations by 1 May 31, 2016.

FINDINGS

After reviewing the SBCCOG job classifications and salaries, the following was determined:

California State Standard:

- The SBCCOG Administrative Assistant job classification has a salary range which falls below the California State standard for 2016. SBCCOG currently has 1 of 2 Administrative Assistants whose annual salary is below this level.

Proposed Federal Rule:

- Both the Administrative Assistant and the Environmental Services Analyst I job classifications have salary ranges that are below the Federal level, as proposed. SBCCOG currently has 4 employees whose current annual salary is below this level.

RECOMMENDATION

Steering Committee recommends that the Board directs management to:

- Implement an immediate remedy to the Administrative Assistant job classification, addressing the new California State standard, by changing that position from Exempt status to Non-Exempt (hourly) status with annual compensation to include the value of the administrative leave benefit which they will no longer receive. The total cost of this compensation for both employees combined does not exceed \$1,600 annually. Administrative Assistants would be eligible for overtime pay, but no longer qualify for Administrative Leave pay.
- Increase the Administrative Assistant Tier 3 salary range to \$47,000 (\$2,000 increase) to allow for potential overtime pay. This solution would satisfy both the State and Federal changes for the Administrative Assistant position. Fiscal impact varies depending upon overtime required.
- Analyze the proposed Federal changes along with an analysis of SBCCOG's current salary ranges which have not been modified for 5 years.