



MEMORANDUM

Date: August 30, 2022

To: Mayor and City Council Members

CC: Kelly DiMartino, City Manager
Tyler Marr, Interim Deputy City Manager
SeonAh Kendall, Economic Health Director

From: Economic Advisory Board for 2022:
Chair, Renee Walkup
Vice-Chair, John Parks

Re: Input from the Economic Advisory Board regarding Minimum Wage increase

The purpose of this memorandum is to provide input to the City Council regarding the proposal to increase the local minimum wage beginning January 1, 2023. In general, *the Economic Advisory Board is in favor of a minimum wage increase*. The reasons for our support, along with some concerns to consider as the City Council determines how to implement such an increase, are listed below:

Reasons for Support:

➤ **A minimum wage increase would positively impact approximately 25% of Fort Collins workers**

Data collected by the City of Fort Collins indicate that roughly one-quarter of employees in the Fort Collins area earn less than \$15/hour. Increasing their income would improve their ability to pay for housing, education, health care, entertainment, and other services and necessities

➤ **Minimum wage increases typically do NOT result in job loss or price increases**

Multiple academic studies have analyzed the consequences of minimum wage increases on both medium- and large-sized cities across the United States. The consensus among those studies is that minimum wage increases do not result in slower hiring, increased job loss, or higher prices except for occasional increases in food prices in the restaurant/hospitality sector. In short, the fears typically expressed by the business community regarding minimum wage increases are not borne out in the data.

➤ **Local Support for a Minimum Wage Increase is More Positive Than Negative**



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A survey conducted by the City of area businesses found that more business owners were somewhat or strongly supportive of a minimum wage increase than those that were somewhat or strongly opposed.

Areas For Consideration:

➤ Tying Minimum Wage to CPI Might Present Some Challenges

There is some concern that attaching annual minimum wage increases to CPI (consumer price index), which can fluctuate significantly from year to year, will make it difficult for businesses to predict labor costs. It may also give the impression that the minimum wage will increase every year without exception. Addressing these concerns should be considered when determining how best to implement a minimum wage increase.

➤ Some Industries May Be Negatively Impacted By Minimum Wage Increases in Unexpected Ways

The city of Denver has reported that some home health care companies are experiencing difficulties with absorbing minimum wage increases because their businesses are funded in part by Medicare reimbursements, which are set at the state level and cannot be negotiated. Special consideration may need to be made for businesses whose pricing or revenue models are set according to federal or state standards.

➤ The City Should Focus Energy on Improving Its Reputation as Business-Friendly

Relative to surrounding communities, there exists the impression among some business owners that Fort Collins presents a more challenging environment in which to do business. Much of this is related to factors unrelated to wages – political sensibilities, the permitting process, costs of development, complex regulations, etc. However, among those with an already unfavorable attitude toward Fort Collins, increasing the minimum wage may add another factor to tip the scales on where business owners will decide to locate. This is not a reason to forego a minimum wage increase but rather a reminder to look at the business environment from a holistic viewpoint when considering a decision to add an additional business regulation.

➤ Council Should Clarify the Intention of the Policy

In conjunction with the review process, Council should rigorously define the objectives of adopting a minimum wage policy. The literature suggests that a majority of the welfare gains that result from minimum wage initiatives arise from redistribution rather than efficiency. If the current distribution of economic rewards is considered suboptimal, then clear reasoning should be offered for why. Moreover, the rationale for how a minimum wage that differs from the state mandated wage may or may not improve outcomes should be provided. Finally, Council should consider the impact on perceptions across



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the broader community a minimum wage policy would have v. the purported economic benefits relative to market outcomes.

The Economic Advisory Board looks forward to offering additional perspective once the City Council has had an opportunity to put forth its initial proposal regarding how much and in what manner to adopt a minimum wage increase.