



# AGENDA ITEM SUMMARY

City Council

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## STAFF

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## SUBJECT

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**First Reading of Ordinance No. 140, 2022, Establishing a Fort Collins Minimum Wage and Associated Recordkeeping and Enforcement Provisions.**

## EXECUTIVE SUMMARY

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The purpose of this item is to bring forth an ordinance setting a local minimum wage in compliance with HB19-1210.

## BACKGROUND / DISCUSSION

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In 2019, the Colorado State legislature passed a bill allowing municipalities to adopt their own minimum wage. The state house bill limits the number of municipalities establishing a local minimum wage to 10-percent of all local governments in the state and requires those considering a local wage to engage with stakeholders including chambers of commerce, small and large businesses, businesses that employ tipped workers, workers, labor unions, and community groups and consult with surrounding local governments. Currently, only the City and County of Denver has implemented a local minimum wage law.

Following the passage of the bill, Council inquired regarding a plan to analyze the possibility of Fort Collins adopting a local wage. The responding memo outlined a thorough plan and resources that were estimated at \$85K-110K and a 6-month process. The effort did not move forward at that time.

In 2021, following the Council election, "Raising the Minimum Wage" was identified as a Council priority and staff began an effort to move forward.

Much of the engagement in 2022 with businesses, employees, and community groups was funneled through an on-line survey and the National Business Survey. To provide a number to react to when responding to survey questions a \$15/hour wage was utilized by the survey. The use of this number may have proved misleading as Council's direction following a September work session was in the \$18-\$19/hour range.

The survey efforts received approximately 1500 responses and yet it proved difficult to develop data-driven rationale to help identify a local minimum wage where benefits outweigh concerns of perceived or real unintended consequences. In October of 2022, staff attempted to identify wage ranges based on communities with higher local wages and the wage as a percent of the living wage. This methodology offered a range of \$14.34 to \$17.79 for Fort Collins.

The MIT Living Wage Calculator shows the following 2023 living wage estimates in Fort Collins:

- Single Adult: \$18.92/hr
- Single Adult/1 Child: \$39.49/hr
- Single Adult/2 Children: \$52/hr

Other engagement efforts included meetings with community members, the Fort Collins Chamber, the Latino Chamber, correspondence with local labor unions (including FOP, PFA, Colorado ALF-CIO, PSD), outreach to health sector organizations, non-profits, and neighboring communities.

An ordinance was brought to Council in [November 2022](#). Due to the short timeframe to implement (January 1, 2023) and the lack of outreach representation from the lowest-income earners, Council delayed ordinance consideration to May 16, 2023, with direction to engage more low-income earners.

2023 Outreach efforts included one-on-one interactions, small meetings, tabling events, and emails or brief presentations to regional groups and partners. Staff also worked to engage housing providers, housing program residents, the Larimer County Workforce Center, Larimer County Health and Human Services, Denver County Health and Human Services, and non-profit grant managers.

**Questions from Previous Work Session**

1. What happens to benefit cliff information at less than 40 hours a week?
  - a. Attached materials show benefit cliff impacts using resident proposed wage schedule at 20,25,30, and 40 hours/week across three family types. Single earners see the highest level of ineligibility starting at 25 hours/week.
2. Provide cost of living to wage analysis similar to data provided in this article from Councilmember Canonico (<https://smartasset.com/data-studies/cities-with-the-highest-and-lowest-real-minimum-wage-2023>)
  - a. Staff did attempt to recreate the methodology utilized in the article with data that was available.

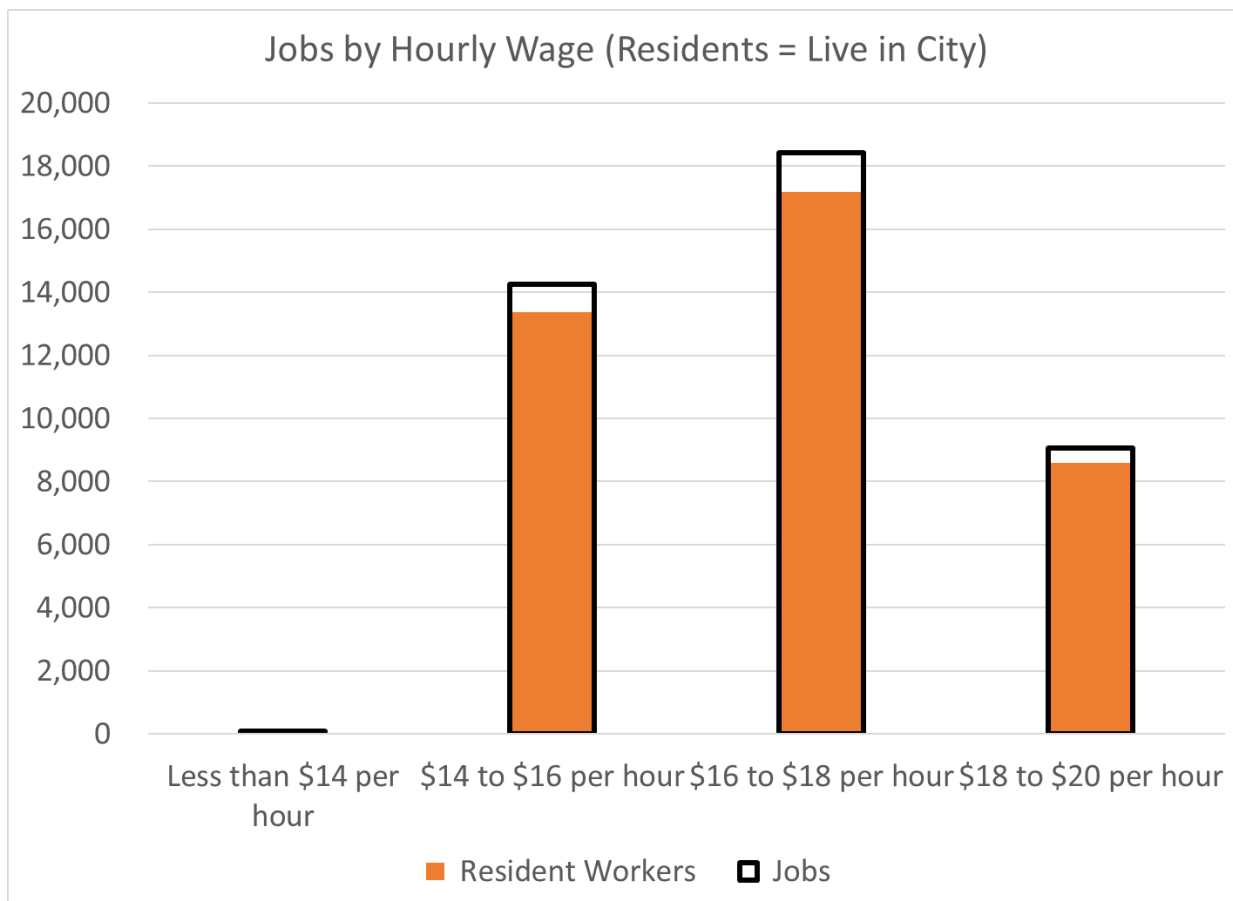
Local Minimum Wage	Wage Adjusted for Cost of Living using PSD as Geographic Reference	Wage Adjusted for Cost of Living Using Larimer County as Geographic Reference
\$13.65 - current minimum wage	\$12.95	\$12.93
\$16.65 - wage option presented on 04/11/2023	\$15.80	\$15.77
\$17.29 - current Denver minimum wage	\$16.40	\$16.37

3. Are tipped wages a Federal or State requirement?
  - a. Tipped earners cannot be exempted from a minimum wage ordinance. Tipped earners are addressed at both the Federal and state levels. Eliminating tipped wages at the state level would default the tipped earnings to the federal levels (\$7.25/hour)
4. Show information on City's move to \$15/hour.

- a. The City submitted a \$500K budget offer in 2022 to ensure \$15/hour minimum wage for all City jobs. \$16.07 is approximately a 1% increase and \$17.29 is approximately a 5.5% increase.

5. What data do we have on employee commuters (both in and out of city?)

- a. Below is a snapshot of employee commuter information derived from Lightcast a reputable third-party data aggregator. The chart shows that the majority (93.8%) of jobs in the city paying less than or equal to \$20 per hour are filled by residents of the community. The highest in-commuting rate at 6.7% of all jobs occurs at the wage range of \$16 to \$18 per hour.



6. Show comparisons of national vs. local wages in similar industries.

- a. We do not have data on this that adjusts for cost of living.

7. What data do we have on who the minimum earners are?

- a. We do not have statistical data on this. From our online questionnaire we have the following information:
  - i. Over 1100 employee responses.
  - ii. Majority of respondents work between 30-50 hours/week.
  - iii. Majority of respondents have been at their job(s) 0-2 years.
  - iv. 15% of respondents (129) report making minimum wage.
  - v. 38% of respondents (334) reported being college students.
  - vi. 1% (4) reported being high school students.
  - vii. 8.4% (69) respondents were between 15-19 years old. 48% (396) were between 20-29.

- a. From interviews with several local employers, including a few non-profits, locally owned restaurants, and trades businesses, we have learned anecdotally that most minimum wage and/or tipped workers are not minors (less than 18 years old).
8. How might an increase in the local minimum wage impact our locally owned small businesses?
- a. Since the [April work session](#), staff have connected with several locally owned small businesses (restaurants of a variety of types, some trades, non-profits, and services).
  - b. Several of these businesses shared portions of their payroll data with staff to enable some clearer understanding of the current labor market and impacts on wages.
  - c. Staff learned several things about the current labor situation at locally owned small businesses:
    - i. Most locally owned small businesses are paying the current state minimum wage of \$13.63 per hour to servers and “front of house” staff. In most restaurants, pay includes a pooled tip system that increases the average hourly wage to over \$22 per hour.
    - ii. “Back of house” staff (kitchen staff, dishwashers, etc.) are being paid between \$15 and \$25 per hour depending on position.
    - iii. Most hourly staff work an average of 22 to 30 hours per week at these businesses. They may work additional jobs elsewhere.
  - d. Staff also learned about the potential impacts of a \$17.29 per hour minimum wage:
    - i. This increase would result in payroll costs rising between 15 and 35 percent depending on the type of business.
    - ii. Currently, payroll costs represent about 20 to 25 percent of total costs. Therefore a 15 to 35 percent increase in labor costs could drive up total costs between 3 and 9 percent.
    - iii. Additionally, many business operators suggested they may need to reduce the wage of tipped earners down by the allowed \$3.02 per hour, which is not common practice today, to offset the rise in labor costs. This reaction would reduce the effect of an increase.
  - e. Additional insight:
    - i. Several small locally owned businesses reported voluntarily providing additional benefits such as vacation time, medical insurance, and retirement contributions that go beyond Federal and State requirements.
    - ii. One small business reports a strong focus on training and coaching to grow staff into higher paying positions. Currently 58% of their front of house staff are in a position higher than the one they were hired into with higher wages.
    - iii. Many small businesses are beginning to receive their property tax valuations or learning of them from their landlords. In some cases, there has been a doubling of value which results in higher property tax bills in addition to other escalating costs.
9. Request for previous information on favorable impacts of a higher minimum wage included in previous meeting material ([September 2022 meeting materials](#))

### **Boulder County Consortium Regional Effort**

The Boulder County Consortium is made up of Boulder County, City of Boulder, Town of Erie, town of Jamestown, City of Lafayette, City of Longmont, City of Louisville, Town of Lyons, Town of Netherland, Town of Superior, Town of Ward, and Town of Broomfield.

The Consortium has hosted one webinar and convened a working group of communities interested in local minimum wage (Boulder County, City of Boulder, Longmont-participating but no Council direction to pursue). Those interested are considering IGAs between the communities and they are targeting a 2024 implementation. While no wage has been discussed an advocacy group is proposing \$25 by 2028. Staff continues to join the working group to stay apprised of actions.

**CITY FINANCIAL IMPACTS**

The City of Fort Collins committed to paying \$15/hour minimum for all jobs starting in 2023. This was reflected in the City Manager Recommended budget and is \$500K amount for the 2023-24 timeframe.

**ORDINANCE OPTIONS**

Option A: Slower ramp schedule provided in November 2022.

Year	CPI	State Minimum Wage	Annual Salary 40hrs/wk & 2 holidays	Increase	LMW	Annual Salary 40hrs/wk & 2 holidays	Difference
2024	5%	\$14.33	\$29.6K	\$1.00	\$14.65	\$30.2K	\$0.32
2025	3%	\$14.76	\$30.5K	\$1.00	\$15.65	\$32.3K	\$0.89
2026	3%	\$15.21	\$31.4K	\$1.00	\$16.65	\$34.4K	\$1.44
2027	3%	\$15.66	\$32.3K	3%	\$17.15	\$35.4K	\$1.49
2028	3%	\$16.13	\$33.3K	3%	\$17.66	\$36.5K	\$1.53
2029	3%	\$16.62	\$34.3K	3%	\$18.19	\$37.6K	\$1.58
2030	3%	\$17.11	\$35.3K	3%	\$18.74	\$38.7K	\$1.63

Option B: Resident provided schedule that is in-between the November 2022 options.

Year	CPI	State Minimum Wage	Annual Salary 40hrs/wk & 2 holidays	Increase	LMW	Annual Salary 40hrs/wk & 2 holidays	Difference
2024	5%	\$14.33	\$29.6K	\$0.53	\$14.86	\$30.7K	\$0.53
2025	3%	\$14.76	\$30.5K	\$1.21	\$16.07	\$33.2K	\$1.31
2026	3%	\$15.21	\$31.4K	\$1.22	\$17.29	\$35.7K	\$2.08
2027	3%	\$15.66	\$32.3K	\$0.52	\$17.81	\$36.7K	\$2.14
2028	3%	\$16.13	\$33.3K	3%	\$18.34	\$37.9K	\$2.21

Year	CPI	State Minimum Wage	Annual Salary 40hrs/wk & 2 holidays	Increase	LMW	Annual Salary 40hrs/wk & 2 holidays	Difference
2029	3%	\$16.62	\$34.3K	3%	\$18.89	\$39.0K	\$2.27
2030	3%	\$17.11	\$35.3K	3%	\$19.46	\$40.2K	\$2.35

**ATTACHMENTS**

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1. Ordinance for Consideration
2. Updated Benefit Cliff Information
3. Presentation