

Ordinance No. 124490

Council Bill No. 118098

AN ORDINANCE relating to employment in Seattle; adding a new Chapter 14.19 to the Seattle Municipal Code; establishing minimum wage and minimum compensation rates for employees performing work in Seattle; and prescribing remedies and enforcement procedures.

Related Legislation File:

Date Introduced and Referred: <u>5/19/14</u>	To: (committee): <u>Select Committee on Minimum Wage and Income Inequality</u>
Date Re-referred:	To: (committee):
Date Re-referred:	To: (committee):
Date of Final Action: <u>June 2, 2014</u>	Date Presented to Mayor: <u>June 3, 2014</u>
Date Signed by Mayor: <u>June 3, 2014</u>	Date Returned to City Clerk: <u>June 3, 2014</u>
Published by Title Only <u>X</u>	Date Vetoed by Mayor:
Published in Full Text	Date Passed Over Veto:
Date Veto Published:	Date Returned Without Signature:

The City of Seattle – Legislative Department

Council Bill/Ordinance sponsored by: Samuel L. Lewis

Committee Action: Bruce A. Hunsell

Date

Recommendation

Vote

Sgt. Bagshaw

5-29-14

PASS

as amended

SB, TB, SC, JG, BH, MOB, KS
7-0

This file is complete and ready for presentation to Full Council.

Full Council Action:

Date

Decision

Vote

June 2, 2014 Passed

9-0

CITY OF SEATTLE
ORDINANCE 124490
COUNCIL BILL 118098

AN ORDINANCE relating to employment in Seattle; adding a new Chapter 14.19 to the Seattle Municipal Code; establishing minimum wage and minimum compensation rates for employees performing work in Seattle; and prescribing remedies and enforcement procedures.

WHEREAS, United States President Barack Obama has called addressing income inequality the "the defining issue of our time;"

WHEREAS, the noted economist Thomas Piketty wrote in his landmark book *Capital in the 21st Century*, the need to act on income inequality is profound as "[r]eal wages for most US workers have increased little if at all since the early 1970s, but wages for the top one percent of earners have risen 165 percent, and wages for the top 0.1 percent have risen 362 percent;"

WHEREAS, the tens of thousands of low wage workers in Seattle who struggle to meet their most basic needs, the increasing unaffordability of this city for so many of our citizens, and the hollowing-out of the middle class strike at the core of who we are as a community dedicated to democratic principles and economic advancement and opportunity;

Whereas, Seattle has one of the worst gender wage gaps in the country, where a majority of low wage workers tend to be women, and a higher minimum wage is a powerful tool to reduce the income disparity between women and men;

WHEREAS, many Seattle workers cannot fully participate in our community's dynamic civic life or pursue the myriad educational, cultural, and recreational opportunities that constitute a flourishing life because many struggle to meet their households' most basic needs;

WHEREAS, Seattle is home to many innovative and progressive employers who contribute significantly to the economic prosperity of the region;

WHEREAS, Seattle has a long and proud tradition of advocating for worker rights and promoting social and economic justice;



1 WHEREAS, minimum wage laws promote the general welfare, health, and prosperity of Seattle
2 by ensuring that workers can better support and care for their families and fully
3 participate in Seattle's civic, cultural, and economic life;

4 WHEREAS, the Mayor signed Executive Order 2014-01 directing all City of Seattle Department
5 Directors to prioritize and work in coordination with the City's Personnel Department
6 and Budget Office to develop a comprehensive implementation plan that ensures a
7 minimum hourly wage of \$15.00 for employees of the City of Seattle, and directing the
8 Personnel Department and Budget Office to seek concurrence and coordinate with the
9 City Council and the Mayor's Income Inequality Advisory Committee;

10 WHEREAS, the Mayor and City Council has convened a Labor Standards Advisory Committee
11 and the City expects the committee will provide feedback later in 2014 on recommended
12 approaches for enhancing the City's enforcement of various labor laws including, but not
13 limited to, minimum wage laws;

14 WHEREAS, the City is committed to evaluating options for securing progressive sources of
15 funding to ensure that non-profit human services providers with City-funded contracts
16 can provide both a living wage to their workforce and continue to provide critical
17 services for those in the greatest need;

18 WHEREAS, Seattle's employer and worker advocacy community have come together to respond
19 to the challenge of rising income inequality and ensure broadly shared prosperity in our
20 community;

21 NOW, THEREFORE,

22 **BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:**

23 Section 1. The City Council ("Council") makes the following findings of fact and
24 declarations:

25 1. Over 100,000 Seattle workers earn wages insufficient to support themselves and their
26 families;

27 2. In Seattle, the weight of income inequality falls disproportionately on people of color
28 and on women. More than 34 percent of all women and over 40 percent of African Americans
and Asian and Pacific Islander Americans rank among low wage workers in Seattle. For
Latinos, that number is nearly 50 percent, and it is 70 percent for Native Americans;



1 3. Over 24 percent of Seattle residents earn hourly wages of \$15.00 per hour or less and
2 approximately 13.6 percent of the Seattle community lives below the poverty level;

3 4. Some employers, in particular small businesses and not-for-profit organizations, may
4 have difficulty in accommodating the increased costs;

5 5. Numerous studies suggest minimum wages benefit employers and the economy as a
6 whole by improving employee performance, reducing employee turnover, lowering absenteeism,
7 and thereby improving productivity and the quality of the services provided by employees;

8 6. The Mayor formed an "Income Inequality Advisory Committee," a group comprised of
9 representatives from Seattle's employer, labor, and non-profit communities to address the
10 pressing issue of income inequality in Seattle;

11 7. The Income Inequality Advisory Committee was charged with delivering
12 recommendations on how best to increase the minimum wage in Seattle in a way that ensures
13 that our economy is vibrant enough and fair enough to embrace all who live and work here;

14 8. The Income Inequality Advisory Committee reviewed the impact of minimum wage
15 increases in other cities, relevant studies and other appropriate data, and hosted numerous public
16 engagement forums, including industry-specific forums and the "Income Inequality Symposium"
17 at Seattle University;

18 9. The Income Inequality Advisory Committee determined the following: Seattle's
19 minimum wage should be raised to \$15.00 per hour; the minimum wage should be phased in
20 over time, the first year of implementation of a phased increase of the minimum wage should
21 begin in 2015; once the minimum wage reaches \$15.00 per hour it should rise in concert with the
22 consumer price index; exemptions from the \$15.00 per hour minimum wage are limited to only
23 those allowed under the Washington State Minimum Wage Act; a benchmark of 500 employees
24 is appropriate as distinguishing between larger and smaller employers in recognition that smaller



1 businesses and not-for-profits would face particular challenges in implementing a higher
2 minimum wage;

3 10. The Income Inequality Advisory Committee also recognized a set of principles for a
4 strong enforcement and culturally competent worker and business education program that
5 integrates existing annual business license processes; creates significant penalties for intentional
6 and repeat violations; establishes worker and employer outreach and education programs through
7 contracts with 501(c)3 community-based organizations and business associations; develops an
8 incentive structure for businesses with solid labor practices; emphasizes culturally competent
9 communication with employees and employers; connects workers with the appropriate local,
10 state, and federal agencies; and establishes a business, labor, and community oversight
11 committee to monitor implementation of the City of Seattle's new labor standards education and
12 enforcement function. These principles will be forwarded to the City of Seattle's Labor
13 Standards Advisory Committee; and

14 11. The public welfare, health, and prosperity of Seattle require wages and benefits
15 sufficient to ensure a decent and healthy life for all Seattle workers and their families.

16
17 Section 2. A new Section 14.19.010 is added to the Seattle Municipal Code as follows:

18 **14.19.010 Definitions**

19 For the purposes of this Chapter:

20 A. "Actuarial value" means the percentage of total average costs for covered benefits that a
21 health benefits package will cover;

22 B. "Bonuses" means non-discretionary payments in addition to hourly, salary, commission,
23 or piece-rate payments paid under an agreement between the employer and employee;

24 C. "Commissions" means a sum of money paid to an employee upon completion of a task,
25 usually selling a certain amount of goods or services;

- 1 D. "Department" means the Department of Finance and Administrative Services;
- 2 E. "Director" means the Director of the Department of Finance and Administrative Services,
3 or his or her designee;
- 4 F. "Employ" means to permit to work;
- 5 G. "Employee" means "employee," as defined under Section 12A.28.200. Employee does
6 not include individuals performing services under a work study agreement;
- 7 H. "Employer" means any individual, partnership, association, corporation, business trust, or
8 any person or group of persons acting directly or indirectly in the interest of an employer in
9 relation to an employee;
- 10 I. "Franchise" means a written agreement by which:
- 11 1. A person is granted the right to engage in the business of offering, selling,
12 or distributing goods or services under a marketing plan prescribed or
13 suggested in substantial part by the grantor or its affiliate;
- 14 2. The operation of the business is substantially associated with a trademark,
15 service mark, trade name, advertising, or other commercial symbol;
16 designating, owned by, or licensed by the grantor or its affiliate; and
- 17 3. The person pays, agrees to pay, or is required to pay, directly or indirectly,
18 a franchise fee;
- 19 J. "Franchisee" means a person to whom a franchise is offered or granted;
- 20 K. "Franchisor" means a person who grants a franchise to another person;
- 21 L. "Hearing Examiner" means the official appointed by the Council and designated as the
22 Hearing Examiner, or that person's designee (Deputy Hearing Examiner, Hearing Examiner Pro
23 Tem, etc.);
- 24 M. "Hourly minimum compensation" means the minimum compensation due to an employee
25 for each hour worked during a pay period;
- 26
27
28



1 N. "Hourly minimum wage" means the minimum wage due to an employee for each hour
2 worked during a pay period;

3 O. "Medical benefits plan" means a silver or higher level essential health benefits package,
4 as defined in 42 U.S.C. § 18022, or an equivalent plan that is designed to provide benefits that
5 are actuarially equivalent to 70 percent of the full actuarial value of the benefits provided under
6 the plan, whichever is greater;

7 P. "Minimum compensation" means the minimum wage in addition to tips actually received
8 by the employee and reported to the Internal Revenue Service, and money paid by the employer
9 towards an individual employee's medical benefits plan;

10 Q. "Minimum wage" means all wages, commissions, piece-rate, and bonuses actually
11 received by the employee and reported to the Internal Revenue Service;

12 R. "Piece-rate" means a price paid per unit of work;

13 S. "Rate of inflation" means the Consumer Price Index annual percent change for urban
14 wage earners and clerical workers, termed CPI-W, or a successor index, for the twelve months
15 prior to each September 1st as calculated by the United States Department of Labor;

16 T. "Schedule 1 Employer" means all employers that employ more than 500 employees in
17 the United States, regardless of where those employees are employed in the United States, and
18 all franchisees associated with a franchisor or a network of franchises with franchisees that
19 employ more than 500 employees in aggregate in the United States;

20 U. "Schedule 2 Employer" means all employers that employ 500 or fewer employees
21 regardless of where those employees are employed in the United States. Schedule 2 employers
22 do not include franchisees associated with a franchisor or a network of franchises with
23 franchisees that employ more than 500 employees in aggregate in the United States;

24 V. "Tips" means a verifiable sum to be presented by a customer as a gift or gratuity in
25 recognition of some service performed for the customer by the employee receiving the tip;



W. "Wage" means compensation due to an employee by reason of employment, payable in legal tender of the United States or checks on banks convertible into cash on demand at full face value, subject to such deductions, charges, or allowances as may be permitted by rules of the Director. Commissions, piece-rate, and bonuses are included in wages. Tips and employer payments toward a medical benefits plan do not constitute wages for purposes of this Chapter.

Section 3. A new Section 14.19.020 is added to the Seattle Municipal Code as follows:

14.19.020 Employment in Seattle and Employer Schedule Determination

A. Employees are covered by this Chapter for each hour worked within the geographic boundaries of Seattle, provided that an employee who performs work in Seattle on an occasional basis is covered by this Chapter in a two-week period only if the employee performs more than two hours of work for an employer within Seattle during that two-week period. Time spent in Seattle solely for the purpose of travelling through Seattle from a point of origin outside Seattle to a destination outside Seattle, with no employment-related or commercial stops in Seattle except for refueling or the employee's personal meals or errands, is not covered by this Chapter. An employee who is not covered by this Chapter is still included in any determination of the size of the employer.

B. For the purposes of determining whether a non-franchisee employer is a Schedule 1 employer or a Schedule 2 employer, separate entities that form an integrated enterprise shall be considered a single employer under this Chapter. Separate entities will be considered an integrated enterprise and a single employer under this Chapter where a separate entity controls the operation of another entity. The factors to consider in making this assessment include, but are not limited to:

1. Degree of interrelation between the operations of multiple entities;
2. Degree to which the entities share common management;



3. Centralized control of labor relations; and

4. Degree of common ownership or financial control over the entities.

There shall be a presumption that separate legal entities, which may share some degree of interrelated operations and common management with one another, shall be considered separate employers for purposes of this section as long as (1) the separate legal entities operate substantially in separate physical locations from one another, and (2) each separate legal entity has partially different ultimate ownership. The determination of employer schedule for the current calendar year will be calculated based upon the average number of employees employed per calendar week during the preceding calendar year for any and all weeks during which at least one employee worked for compensation. For employers that did not have any employees during the previous calendar year, the employer schedule will be calculated based upon the average number of employees employed per calendar week during the first 90 calendar days of the current year in which the employer engaged in business.

C. The Director shall have the authority to issue a special certificate authorizing an employer to pay a wage less than the City of Seattle minimum wage, as defined in this Chapter, but above the Washington State minimum wage, as defined in RCW 49.46.020. Such special certificates shall only be available for the categories of workers defined in RCW 49.46.060 and shall be subject to such limitations as to time, number, proportion, and length of service as the Director shall prescribe. Prior to issuance, an applicant for a special certificate must secure a letter of recommendation from the Washington State Department of Labor and Industries stating that the applicant has a demonstrated necessity pursuant to WAC 296-128.

D. The Director shall by rule establish the minimum wage for employees under the age of eighteen years, provided that any percentage of the hourly rate established by rule shall not be lower than the percentage applicable under state statutes and regulations.



Section 4. A new Section 14.19.030 is added to the Seattle Municipal Code as follows:

14.19.030 Hourly Minimum Wage – Schedule 1 Employers

A. Effective April 1, 2015, Schedule 1 employers shall pay each employee an hourly minimum wage of at least \$11.00. Pursuant to the following schedule, effective January 1 of each year thereafter, Schedule 1 employers shall pay any employee an hourly minimum wage as follows:

<i>Year</i>	<i>Hourly Minimum Wage</i>
2016	\$13.00
2017	\$15.00

Effective January 1, 2018, the hourly minimum wage paid by a Schedule 1 employer to any employee shall be increased annually on a percentage basis to reflect the rate of inflation and calculated to the nearest cent on January 1 of each year thereafter.

B. Schedule 1 employers can meet the applicable hourly minimum wage requirement through a payment of the minimum wage, provided that the Schedule 1 employer is in compliance with all applicable law. Where an employee is paid on a commission or piece-rate basis, wholly or partially, the amount earned on such basis in each work-week period may be credited as a part of the total wage for that period, and the total wages paid for such period shall be computed on the hours worked in that period resulting in no less than the applicable minimum wage rate. Where an employee is paid a bonus, the amount of the bonus in each work-week period may be credited as a part of the total wage for that period, and the total wages paid for such period shall be computed on the hours worked in that period resulting in no less than the applicable minimum wage rate. Pursuant to the following schedule, effective January 1, 2016,



Schedule 1 employers that pay toward an individual employee's medical benefits plan shall pay the employee an hourly minimum wage as follows:

<i>Year</i>	<i>Hourly Minimum Wage</i>
2016	\$12.50
2017	\$13.50
2018	\$15.00

Effective January 1, 2019, payment by the employer of health benefits for employees shall no longer affect the hourly minimum wage paid by a Schedule 1 employer.

Section 5. A new Section 14.19.040 is added to the Seattle Municipal Code as follows:

14.19.040 Hourly Minimum Wage – Schedule 2 Employers

A. Effective April 1, 2015, Schedule 2 employers shall pay each employee an hourly minimum wage of at least \$10.00. Schedule 2 employers can meet the applicable hourly minimum wage requirement through a payment of the minimum wage, provided that the Schedule 2 employer is in compliance with all applicable law. Effective January 1 of 2016 and each year thereafter, Schedule 2 employers shall pay each employee an hourly minimum wage that is the lower of (a) the applicable hourly minimum wage for Schedule 1 Employers or (b) the hourly minimum wage shown in the following schedule:

<i>Year</i>	<i>Hourly Minimum Wage</i>
2016	\$10.50
2017	\$11.00
2018	\$11.50



2019	\$12.00
2020	\$13.50
2021	\$15.00
2022	\$15.75
2023	\$16.50
2024	\$17.25

Effective on January 1 of 2025, and January 1 of every year thereafter, the hourly minimum wage paid by a Schedule 2 employer to any employee shall equal the hourly minimum wage applicable to Schedule 1 employers.

B. Schedule 2 employers can meet the applicable hourly minimum wage requirements through a payment of the minimum wage, provided that the Schedule 2 employer is in compliance with all applicable law.

Section 6. A new Section 14.19.050 is added to the Seattle Municipal Code as follows:

14.19.050 Hourly Minimum Compensation – Schedule 2 Employers

A. Effective April 1, 2015, Schedule 2 employers shall pay each employee an hourly minimum compensation of at least \$11.00. Effective January 1 of each year thereafter, Schedule 2 employers shall pay each employee an hourly minimum compensation that is the lower of (a) the applicable hourly minimum wage for Schedule 1 Employers or (b) the hourly minimum compensation shown in the following schedule:

<i>Year</i>	<i>Hourly Minimum Compensation</i>
2016	\$12.00
2017	\$13.00
2018	\$14.00
2019	\$15.00
2020	\$15.75

Effective January 1, 2021, the hourly minimum compensation paid by a Schedule 2 employer to any employee shall equal the hourly minimum wage applicable to Schedule 1 employers.

B. Schedule 2 employers can meet the applicable hourly minimum compensation requirement through wages (including applicable commissions, piece-rate, and bonuses), tips and money paid by an employer towards an individual employee's medical benefits plan, provided that the Schedule 2 employer also meets the applicable hourly minimum wage requirements.

C. Effective January 1, 2025, minimum compensation will no longer be applicable as defined in this Chapter.

Section 7. A new Section 14.19.060 is added to the Seattle Municipal Code as follows:

14.19.060 Enforcement

A. Powers and Duties

1. The Department shall investigate alleged violations of this Chapter as defined herein, and shall have such powers and duties in the performance of these functions as are defined in this Chapter and otherwise necessary and proper in the performance of the same and provided for by law.



2. The Director is authorized and directed to promulgate rules consistent with this Chapter.

B. Exercise of Rights Protected; Retaliation Prohibited

1. It shall be a violation for an employer or any other person to interfere with, restrain, or deny the exercise of, or the attempt to exercise, any right protected under this Chapter.

2. It shall be a violation for an employer to discharge, threaten, harass, demote, penalize, or in any other manner discriminate or retaliate against any employee because the employee has exercised in good faith the rights protected under this Chapter. Such rights include but are not limited to the right to file an oral or written complaint with the Department about any employer's alleged violation of this Chapter; the right to inform his or her employer, union or similar organization, and/or legal counsel about an employer's alleged violation of this Chapter; the right to cooperate with the Department in its investigations of alleged violations of this Chapter; the right to oppose any policy, practice, or act that is unlawful under this Chapter; and the right to inform other employees of his or her potential rights under this Chapter.

3. It shall be considered a violation for an employer to communicate to a person filing a wage claim, directly or indirectly, explicitly or implicitly, the willingness to inform a government employee that the person is not lawfully in the United States, report or threaten to report suspected citizenship or immigration status of an employee or a family member of the employee to a federal, state, or local agency because the employee has exercised a right under this Chapter.



C. Notice, Posting, and Records

1. Employers shall give notice to employees in English, Spanish and any other language commonly spoken by employees at the particular workplace that they are entitled to the minimum wage and minimum compensation; that retaliation against employees who exercise their rights under this Chapter is prohibited; and that each employee has the right to file a charge or bring a civil action if the minimum wage or minimum compensation as defined in this Chapter is not paid or the employee is retaliated against for engaging in an activity protected under this Chapter.

2. Employers may comply with this section by posting in a conspicuous place at any workplace or job site where any covered employee works a notice published each year by the Department informing employees of the current minimum wage and minimum compensation rates applicable in that particular workplace or jobsite and of their rights under this Chapter in English, Spanish and any other languages commonly spoken by employees at the particular workplace or job site.

3. Employers shall retain payroll records pertaining to covered employees for a period of three years documenting minimum wages and minimum compensation paid to each employee.

D. Charges and Investigation

1. The Department may investigate any violations of this Chapter. A charge alleging a violation of this Chapter should include a statement of the dates, places, and persons or entities responsible for such violation. A charge alleging a violation of this Chapter may also be filed by the Director on behalf of an aggrieved individual when the Director has reason to believe that a violation has occurred.

2. Charges filed under this Chapter must be filed within 3 years after the occurrence of the alleged violation. The applicable statute of limitations for civil actions is tolled



1 during the Department's investigation and any administrative enforcement proceeding
2 under this Chapter based upon the same facts.

3 3. The Director shall cause to be served or mailed by certified mail, return receipt
4 requested, a copy of the charge on the respondent within 20 days after the filing of the
5 charge and shall promptly make an investigation thereof.

6 4. The investigation shall be directed to ascertain the facts concerning the alleged
7 violation of this Chapter, and shall be conducted in an objective and impartial manner.

8 5. During the investigation the Director shall consider any statement of position or
9 evidence with respect to the allegations of the charge which the charging party or the
10 respondent wishes to submit. The Director shall have authority to sign and issue
11 subpoenas requiring the attendance and testimony of witnesses, and the production of
12 evidence including but not limited to books, records, correspondence or documents in the
13 possession or under the control of the employer subpoenaed.

14 E. Findings of Fact and Notice of Violation.

15 1. The results of the investigation shall be reduced to written findings of fact, and a
16 written determination shall be made by the Director that a violation of this Chapter has
17 occurred. The findings of fact shall be furnished promptly to the respondent and charging
18 or aggrieved party in the form of a notice of violation.

19 2. Within sixty days of a notice of violation, the Director shall confer with the
20 parties and determine an appropriate remedy, which shall include full payment of unpaid
21 wages due to the charging or aggrieved party under the terms of this Chapter. Such
22 remedy shall be reduced to writing in an order of the Director.



F. Remedies

1. An employer who willfully violates the notice and posting requirements of this section shall be subject to a civil penalty in an amount not to exceed \$125 for the first violation and \$250 for subsequent violations.

2. It is unlawful for any employer to willfully resist, prevent, impede or interfere with the Director in the performance of his or her duties under this Chapter. Conduct made unlawful by this section constitutes a violation and any employer who commits such a violation may be punished by a civil penalty of not less than \$1,000 and not more than \$5,000.

3. For a first time violation of this Chapter, the Director shall issue a warning and may assess a civil penalty of up to \$500 for improper payment of minimum wage and minimum compensation as defined in this Chapter. For subsequent violations, the Director shall assess a civil penalty for improper payment of minimum wage and minimum compensation as defined in this Chapter. A civil penalty for a second time violation of this Chapter shall be not greater than \$1,000 per employee or an amount equal to ten percent of the total amount of unpaid wages, whichever is greater. A civil penalty for a third violation of this Chapter shall not be greater than \$5,000 per employee or an amount equal to ten percent of the total amount of unpaid wages, whichever is greater. The maximum civil penalty for a violation of this chapter shall be \$20,000 per employee.

4. Within sixty days of a notice of violation of this Chapter, the Director shall confer with the parties and determine an appropriate remedy, which shall include full payment of unpaid wages and accrued interest due to the charging or aggrieved party under the terms of this Chapter. Such remedy shall be reduced to writing in an order of the Director.



G. Appeal Period and Failure to Respond

1. An employer may appeal the Director's order by requesting a contested hearing in writing within 15 days of service. If an employer fails to appeal the Director's order within 15 days of service, the Director's order shall be final and enforceable. When the last day of the appeal period so computed is a Saturday, Sunday, or federal or City holiday, the period shall run until 5:00 p.m. on the next business day.

H. Appeal Procedure and Failure to Appear

1. Contested hearings shall be conducted pursuant to the procedures for hearing contested cases contained in Section 3.02.090 and the rules adopted by the Hearing Examiner for hearing contested cases. The Director shall have the burden of proof by a preponderance of the evidence before the Hearing Examiner. Failure to appear for a requested hearing will result in an order being entered finding that the employer cited committed the violation stated in the Director's order. For good cause shown and upon terms the Hearing Examiner deems just, the Hearing Examiner may set aside an order entered upon a failure to appear.

2. In all contested cases, the Hearing Examiner shall enter an order affirming, modifying or reversing the Director's order.

Section 8. A new Section 14.19.070 is added to the Seattle Municipal Code as follows:

14.19.070 Severability

The provisions of this Chapter are declared to be separate and severable. If any clause, sentence, paragraph, subdivision, section, subsection or portion of this Chapter, or the application thereof to any employer, employee, or circumstance, is held to be invalid, it shall not affect the validity of the remainder of this Chapter, or the validity of its application to other persons or circumstances.



Section 9. A new Section 14.19.080 is added to the Seattle Municipal Code as follows:

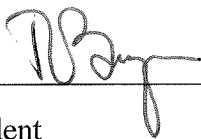
14.19.080 Other Legal Requirements

This Chapter provides minimum wage and minimum compensation requirements and shall not be construed to preempt, limit, or otherwise affect the applicability of any other law, regulation, requirement, policy, or standard that provides for greater wages or compensation; and nothing in this Chapter shall be interpreted or applied so as to create any power or duty in conflict with federal or state law. Nor shall this Chapter be construed to preclude any person aggrieved from seeking judicial review of any final administrative decision or order made under this Chapter affecting such person.




Section 10. This ordinance shall take effect and be in force 30 days after its approval by the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it shall take effect as provided by Seattle Municipal Code Section 1.04.020.

Passed by the City Council the 2nd day of June, 2014, and signed by me in open session in authentication of its passage this 2nd day of June, 2014.




President _____ of the City Council

Approved by me this 3 day of June, 2014.



Edward B. Murray, Mayor

Filed by me this 3rd day of June, 2014.



Monica Martinez Simmons, City Clerk

(Seal)

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
Mayor's Office (MO)	Brian Surratt/386-4071	Jeanette Blankenship/615-0087

Legislation Title:

AN ORDINANCE relating to employment in Seattle; adding a new Chapter 14.19 to the Seattle Municipal Code; establishing minimum wage and minimum compensation rates for employees performing work in Seattle; and prescribing remedies and enforcement procedures.

Summary of the Legislation:

This legislation provides for an increase in the minimum wage in the City of Seattle to \$15.00 an hour, phased in over time, beginning in 2015:

- Small employers (businesses with fewer than 500 employees) will reach a \$15.00 an hour minimum wage in seven years. Also established is a temporary guaranteed minimum compensation responsibility of \$15.00 an hour to be met within the first five years, which can be achieved by combining employer-paid health care contributions, consumer-paid tips, and employer-paid wages.
- Large employers (businesses with 500 or more employees, either in Seattle or nationally) will reach \$15.00 per hour in three years. The wages of employees who receive health care benefits will reach \$15.00 per hour in four years.

Background:

The Mayor formed an "Income Inequality Advisory Committee," a group comprised of representatives from Seattle's employer, labor, and non-profit communities to address the pressing issue of income inequality in Seattle. The committee was charged with delivering recommendations on how best to increase the minimum wage in Seattle in a way that ensures that our economy is vibrant enough and fair enough to embrace all who live and work here. The Income Inequality Advisory Committee reviewed the impact of minimum wage increases in other cities, relevant studies and other appropriate data, and hosted numerous public engagement forums, including industry-specific forums and the "Income Inequality Symposium" at Seattle University. The Income Inequality Advisory Committee concluded the following:

- Seattle's minimum wage should be raised to \$15.00 per hour, the minimum wage should be phased in over time, and the first year of implementation of a phased increase of the minimum wage should begin in 2015;
- Once the minimum wage reaches \$15.00 per hour it should rise in concert with the consumer price index;
- No industry sector exemptions from the \$15.00 per hour minimum wage;
- Smaller businesses and non-profits would face particular challenges in implementing a higher minimum wage; and
- The minimum wage law should be accompanied by a strong enforcement and worker and

business education program.

 This legislation does not have any financial implications.

 X This legislation has financial implications.

Appropriations:

Appropriations Notes:

An increase in City appropriations will be incurred in 2015 and subsequent years to 1) raise City employee wages that fall below \$15.00 an hour following Schedule 1; 2) provide enforcement for wage compliance; and 3) provide business education. The increase in costs will be analyzed and refined through the 2015-2016 Budget development process. Appropriation increases, where necessary, will be included in the 2015 Proposed Budget.

- 1) The estimated 2015 impact to the City budget for City employee wage increases associated with this legislation is approximately **\$200,000**. The total incremental cost to the City to bring all wages on Schedule 1 up to \$15 an hour by January 1, 2017 is approximately **\$1,000,000**. These estimates assume a 2.4% cost of living increase each year for City employees, which may be adjusted to actual CPI or labor negotiations, and also include associated increases in payroll taxes for FICA, Medicare and Retirement.
- 2) The Department of Finance and Administrative Services will incur costs related to enforcing this legislation which will be analyzed in the 2015-2016 Budget process. The final scope of the program may be impacted by the work of the Labor Standards Advisory Committee, which is currently reviewing the labor standards enforcement functions across multiple City departments.
- 3) Business education potential needs and associated costs incurred by the City will be analyzed through the 2015-2016 Budget process.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes. In addition to City costs, employers in the City of Seattle will have increased financial costs for employees currently earning below \$15.
- b) **What is the financial cost of not implementing the legislation?**
The public welfare, health, and prosperity of Seattle require wages and benefits sufficient to ensure a decent and healthy life for all Seattle workers and their families. Not implementing this legislation will delay progress in improving public welfare, health and prosperity.
- c) **Does this legislation affect any departments besides the originating department?**
 - o Finance and Administrative Services will incur costs related to enforcement.

- All departments with employees below \$15 an hour.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

The Income Inequality Advisory Committee analyzed numerous alternatives. This legislation implements the alternative selected by the committee.

e) Is a public hearing required for this legislation?

No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

No.

h) Other Issues: N/A.

List attachments to the fiscal note below: None.



City of Seattle
Edward B. Murray
Mayor

May 15, 2014

Honorable Tim Burgess
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Burgess:

I am pleased to transmit the attached proposed Council Bill establishing new minimum wage and minimum compensation rates for Seattle workers.

Last December, I convened the "Income Inequality Advisory Committee" with representatives from Seattle's employer, labor, and non-profit communities to address what President Barack Obama has referred to as 'the defining issue of our time.' The Advisory Committee supported a framework embedded in this legislation that includes:

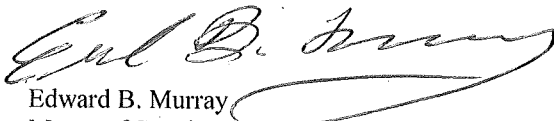
- Small employers (businesses with fewer than 500 employees) will reach a \$15 per hour minimum wage in seven years. Also established is a temporary guaranteed minimum compensation responsibility of \$15 per hour to be met within the first five years, which can be achieved by combining employer-paid health care contributions, consumer-paid tips, and employer-paid wages.
- Large employers (businesses with 500 or more employees, either in Seattle or nationally) will reach \$15 per hour in three years. The wages of employees who receive health care benefits will reach \$15 per hour in four years.

The legislation means a minimum wage worker in Seattle will earn at least \$4 more per hour, or \$6,240 more per year, than a minimum wage worker elsewhere in Washington

As you know, cities are our true laboratories of democracy. The creative energy for experimental thinking and the courage and will to try novel ways of improving our communities are all deeply ingrained in our city's DNA. With this legislation, the people of Seattle are seizing control of our own destiny and are leading the way to show how cities can choose to be affordable cities for all.

Thank you for your consideration of this legislation. Should you have questions, please contact Brian Surratt at 206-684-8591.

Sincerely,



Edward B. Murray
Mayor of Seattle

cc: Honorable Members of the Seattle City Council



CITY OF SEATTLE
ORDINANCE _____

COUNCIL BILL 118098

AN ORDINANCE relating to employment in Seattle; adding a new Chapter 14.19 to the Seattle Municipal Code; establishing minimum wage and minimum compensation rates for employees performing work in Seattle; and prescribing remedies and enforcement procedures.

WHEREAS, United States President Barack Obama has called addressing income inequality the "the defining issue of our time";

WHEREAS, the noted economist Thomas Piketty wrote in his landmark book *Capital in the 21st Century*, the need to act on income inequality is profound as "[r]eal wages for most US workers have increased little if at all since the early 1970s, but wages for the top one percent of earners have risen 165 percent, and wages for the top 0.1 percent have risen 362 percent";

WHEREAS, the tens of thousands of low wage workers in Seattle who struggle to meet their most basic needs, the increasing unaffordability of this city for so many of our citizens, and the hollowing-out of the middle class strike at the core of who we are as a community dedicated to democratic principles and economic advancement and opportunity;

WHEREAS, many Seattle workers cannot fully participate in our community's dynamic civic life or pursue the myriad educational, cultural, and recreational opportunities that constitute a flourishing life because many struggle to meet their households' most basic needs;

WHEREAS, Seattle is home to many innovative and progressive employers who contribute significantly to the economic prosperity of the region;

WHEREAS, Seattle has a long and proud tradition of advocating for worker rights and promoting social and economic justice;

WHEREAS, minimum wage laws promote the general welfare, health, and prosperity of Seattle by ensuring that workers can better support and care for their families and fully participate in Seattle's civic, cultural, and economic life;

WHEREAS, the Mayor signed Executive Order 2014-01 directing all City of Seattle Department Directors to prioritize and work in coordination with the City's Personnel Department

and Budget Office to develop a comprehensive implementation plan that ensures a minimum hourly wage of \$15.00 for employees of the City of Seattle, and directing the Personnel Department and Budget Office to seek concurrence and coordinate with the City Council and the Mayor's Income Inequality Advisory Committee;

WHEREAS, the Mayor and City Council has convened a Labor Standards Advisory Committee and the City expects the committee will provide feedback later in 2014 on recommended approaches for enhancing the City's enforcement of various labor laws including, but not limited to, minimum wage laws;

WHEREAS, Seattle's employer and worker advocacy community have come together to respond to the challenge of rising income inequality and ensure broadly shared prosperity in our community;

NOW, THEREFORE,

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. The City Council ("Council") makes the following findings of fact and declarations:

1. Over 100,000 Seattle workers earn wages insufficient to support themselves and their families;

2. In Seattle, the weight of income inequality falls disproportionately on people of color and on women. More than 34 percent of all women and over 40 percent of African Americans and Asian and Pacific Islander Americans rank among low wage workers in Seattle. For Latinos, that number is nearly 50 percent, and it is 70 percent for Native Americans;

3. Over 24 percent of Seattle residents earn hourly wages of \$15.00 per hour or less and approximately 13.6 percent of the Seattle community lives below the poverty level;

4. Some employers, in particular small businesses and not-for-profit organizations, may have difficulty in accommodating the increased costs;

5. Numerous studies suggest minimum wages benefit employers and the economy as a whole by improving employee performance, reducing employee turnover, lowering absenteeism, and thereby improving productivity and the quality of the services provided by employees;

1 6. The Mayor formed an "Income Inequality Advisory Committee," a group comprised of
2 representatives from Seattle's employer, labor, and non-profit communities to address the
3 pressing issue of income inequality in Seattle;

4 7. The Income Inequality Advisory Committee was charged with delivering
5 recommendations on how best to increase the minimum wage in Seattle in a way that ensures
6 that our economy is vibrant enough and fair enough to embrace all who live and work here;

7 8. The Income Inequality Advisory Committee reviewed the impact of minimum wage
8 increases in other cities, relevant studies and other appropriate data, and hosted numerous public
9 engagement forums, including industry-specific forums and the "Income Inequality Symposium"
10 at Seattle University;

11 9. The Income Inequality Advisory Committee determined the following: Seattle's
12 minimum wage should be raised to \$15.00 per hour; the minimum wage should be phased in
13 over time, the first year of implementation of a phased increase of the minimum wage should
14 begin in 2015; once the minimum wage reaches \$15.00 per hour it should rise in concert with the
15 consumer price index; exemptions from the \$15.00 per hour minimum wage are limited to only
16 those allowed under the Washington State Minimum Wage Act; a benchmark of 500 employees
17 is appropriate as distinguishing between larger and smaller employers in recognition that smaller
18 businesses and not-for-profits would face particular challenges in implementing a higher
19 minimum wage;

20 10. The Income Inequality Advisory Committee also recognized a set of principles for a
21 strong enforcement and culturally competent worker and business education program that
22 integrates existing annual business license processes; creates significant penalties for intentional
23 and repeat violations; establishes worker and employer outreach and education programs through
24 contracts with 501(c)3 community-based organizations and business associations; develops an
25 incentive structure for businesses with solid labor practices; emphasizes culturally competent
26
27
28

1 communication with employees and employers; connects workers with the appropriate local,
2 state, and federal agencies; and establishes a business, labor, and community oversight
3 committee to monitor implementation of the City of Seattle's new labor standards education and
4 enforcement function. These principles will be forwarded to the City of Seattle's Labor
5 Standards Advisory Committee; and

6 11. The public welfare, health, and prosperity of Seattle require wages and benefits
7 sufficient to ensure a decent and healthy life for all Seattle workers and their families.
8

9 Section 2. A new Section 14.19.010 is added to the Seattle Municipal Code as follows:

10 **14.19.010 Definitions**

11 For the purposes of this Chapter:

12 A. "Actuarial value" means the percentage of total average costs for covered benefits that a
13 health benefits package will cover;

14 B. "Bonuses" means non-discretionary payments in addition to hourly, salary, commission,
15 or piece-rate payments paid under an agreement between the employer and employee;

16 C. "Commissions" means a sum of money paid to an employee upon completion of a task,
17 usually selling a certain amount of goods or services;

18 D. "Department" means the Department of Finance and Administrative Services;

19 E. "Director" means the Director of the Department of Finance and Administrative Services,
20 or his or her designee;

21 F. "Employ" means to permit to work;

22 G. "Employee" means "employee," as defined under Section 12A.28.200. Employee does
23 not include individuals performing services under a work study agreement;

1 H. "Employer" means any individual, partnership, association, corporation, business trust, or
2 any person or group of persons acting directly or indirectly in the interest of an employer in
3 relation to an employee;

4 I. "Franchise" means a written agreement by which:

- 5 1. A person is granted the right to engage in the business of offering, selling,
6 or distributing goods or services under a marketing plan prescribed or
7 suggested in substantial part by the grantor or its affiliate;
- 8 2. The operation of the business is substantially associated with a trademark,
9 service mark, trade name, advertising, or other commercial symbol;
10 designating, owned by, or licensed by the grantor or its affiliate; and
- 11 3. The person pays, agrees to pay, or is required to pay, directly or indirectly,
12 a franchise fee;

13 J. "Franchisee" means a person to whom a franchise is offered or granted;

14 K. "Franchisor" means a person who grants a franchise to another person;

15 L. "Hearing Examiner" means the official appointed by the Council and designated as the
16 Hearing Examiner, or that person's designee (Deputy Hearing Examiner, Hearing Examiner Pro
17 Tem, etc.);

18 M. "Hourly minimum compensation" means the minimum compensation due to an employee
19 for each hour worked during a pay period;

20 N. "Hourly minimum wage" means the minimum wage due to an employee for each hour
21 worked during a pay period;

22 O. "Medical benefits plan" means a silver or higher level essential health benefits package,
23 as defined in 42 U.S.C. § 18022, or an equivalent plan that is designed to provide benefits that
24 are actuarially equivalent to 70 percent of the full actuarial value of the benefits provided under
25 the plan, whichever is greater;

1 P. "Minimum compensation" means the minimum wage in addition to tips actually received
2 by the employee and reported to the Internal Revenue Service, and money paid by the employer
3 towards an individual employee's medical benefits plan;

4 Q. "Minimum wage" means all wages, commissions, piece-rate, and bonuses actually
5 received by the employee and reported to the Internal Revenue Service;

6 R. "Piece-rate" means a price paid per unit of work;

7 S. "Rate of inflation" means the Consumer Price Index annual percent change for urban
8 wage earners and clerical workers, termed CPI-W, or a successor index, for the twelve months
9 prior to each September 1st as calculated by the United States Department of Labor;

10 T. "Schedule 1 Employer" means all employers that employ more than 500 employees in
11 the United States, regardless of where those employees are employed in the United States, and
12 all franchisees associated with a franchisor or a network of franchises with franchisees that
13 employ more than 500 employees in aggregate in the United States;

14 U. "Schedule 2 Employer" means all employers that employ 500 or fewer employees
15 regardless of where those employees are employed in the United States. Schedule 2 employers
16 do not include franchisees associated with a franchisor or a network of franchises with
17 franchisees that employ more than 500 employees in aggregate in the United States;

18 V. "Tips" means a verifiable sum to be presented by a customer as a gift or gratuity in
19 recognition of some service performed for the customer by the employee receiving the tip;

20 W. "Wage" means compensation due to an employee by reason of employment, payable in
21 legal tender of the United States or checks on banks convertible into cash on demand at full face
22 value, subject to such deductions, charges, or allowances as may be permitted by rules of the
23 Director. Commissions, piece-rate, and bonuses are included in wages. Tips and employer
24 payments toward a medical benefits plan do not constitute wages for purposes of this Chapter;

Section 3. A new Section 14.19.020 is added to the Seattle Municipal Code as follows:

14.19.020 Employment in Seattle and Employer Schedule Determination

A. Employees are covered by this Chapter for each hour worked within the geographic boundaries of Seattle, provided that an employee who performs work in Seattle on an occasional basis is covered by this Chapter in a two-week period only if the employee performs more than two hours of work for an employer within Seattle during that two-week period. Time spent in Seattle solely for the purpose of travelling through Seattle from a point of origin outside Seattle to a destination outside Seattle, with no employment-related or commercial stops in Seattle except for refueling or the employee's personal meals or errands, is not covered by this Chapter. An employee who is not covered by this Chapter is still included in any determination of the size of the employer.

B. For the purposes of determining whether a non-franchisee employer is a Schedule 1 employer or a Schedule 2 employer, separate entities that form an integrated enterprise shall be considered a single employer under this Chapter. Separate entities will be considered an integrated enterprise and a single employer under this Chapter where a separate entity controls the operation of another entity. The factors to consider in making this assessment include, but are not limited to:

1. Degree of interrelation between the operations of multiple entities;
2. Degree to which the entities share common management;
3. Centralized control of labor relations; and
4. Degree of common ownership or financial control over the entities.

There shall be a presumption that separate legal entities, which may share some degree of interrelated operations and common management with one another, shall be considered separate employers for purposes of this section as long as (1) the separate legal entities operate substantially in separate physical locations from one another, and (2) each separate legal entity

has partially different ultimate ownership. The determination of employer schedule for the current calendar year will be calculated based upon the average number of employees employed per calendar week during the preceding calendar year for any and all weeks during which at least one employee worked for compensation. For employers that did not have any employees during the previous calendar year, the employer schedule will be calculated based upon the average number of employees employed per calendar week during the first 90 calendar days of the current year in which the employer engaged in business.

C. The Director shall have the authority to issue a special certificate authorizing an employer to pay a wage less than the City of Seattle minimum wage, as defined in this Chapter, but above the Washington State minimum wage, as defined in RCW 49.46.020. Such special certificates shall only be available for the categories of workers defined in RCW 49.46.060 and shall be subject to such limitations as to time, number, proportion, and length of service as the Director shall prescribe. Prior to issuance, an applicant for a special certificate must secure a letter of recommendation from the Washington State Department of Labor and Industries stating that the applicant has a demonstrated necessity pursuant to WAC 296-128.

Section 4. A new Section 14.19.030 is added to the Seattle Municipal Code as follows:

14.19.030 Hourly Minimum Wage – Schedule 1 Employers

A. Effective January 1, 2015, Schedule 1 employers shall pay each employee an hourly minimum wage of at least \$11.00. Pursuant to the following schedule, effective January 1 of each year thereafter, Schedule 1 employers shall pay any employee an hourly minimum wage as follows:

<i>Year</i>	<i>Hourly Minimum Wage</i>
2016	\$13.00

2017	\$15.00
------	---------

Effective January 1, 2018, the hourly minimum wage paid by a Schedule 1 employer to any employee shall be increased annually on a percentage basis to reflect the rate of inflation and calculated to the nearest cent on January 1 of each year thereafter.

B. Schedule 1 employers can meet the applicable hourly minimum wage requirement through a payment of the minimum wage, provided that the Schedule 1 employer is in compliance with all applicable law. Where an employee is paid on a commission or piece-rate basis, wholly or partially, the amount earned on such basis in each work-week period may be credited as a part of the total wage for that period, and the total wages paid for such period shall be computed on the hours worked in that period resulting in no less than the applicable minimum wage rate. Where an employee is paid a bonus, the amount of the bonus in each work-week period may be credited as a part of the total wage for that period, and the total wages paid for such period shall be computed on the hours worked in that period resulting in no less than the applicable minimum wage rate. Pursuant to the following schedule, effective January 1, 2016, Schedule 1 employers that pay toward an individual employee's medical benefits plan shall pay the employee an hourly minimum wage as follows:

<i>Year</i>	<i>Hourly Minimum Wage</i>
2016	\$12.50
2017	\$13.50
2018	\$15.00

Effective January 1, 2019, payment by the employer of health benefits for employees shall no longer affect the hourly minimum wage paid by a Schedule 1 employer.

Section 5. A new Section 14.19.040 is added to the Seattle Municipal Code as follows:

14.19.040 Hourly Minimum Wage – Schedule 2 Employers

A. Effective January 1, 2015, Schedule 2 employers shall pay each employee an hourly minimum wage of at least \$10.00. Schedule 2 employers can meet the applicable hourly minimum wage requirement through a payment of the minimum wage, provided that the Schedule 2 employer is in compliance with all applicable law. Pursuant to the following schedule, effective January 1 of 2016 and each year thereafter, Schedule 2 employers shall pay each employee an hourly minimum wage as follows:

<i>Year</i>	<i>Hourly Minimum Wage</i>
2016	\$10.50
2017	\$11.00
2018	\$11.50
2019	\$12.00
2020	\$13.50
2021	\$15.00

Effective January 1, 2022, Schedule 2 employers shall pay each employee an hourly minimum wage that is calculated as follows: add \$15.00 to one-fourth the difference between the hourly minimum wage for Schedule 1 employers in 2021 and \$15.00, and increase this amount by the annual rate of inflation. The applicable hourly minimum wage shall be calculated to the nearest cent.

$$\text{Adjustment Factor} = (\text{Schedule 1 employer hourly minimum wage in 2021} - \$15.00) / 4$$

Schedule 2 employer hourly minimum wage in 2022 = (\$15.00 + Adjustment Factor) x (1 + rate of inflation)

Effective January 1, 2023, Schedule 2 employers shall pay each employee an hourly minimum wage that is calculated as follows: add the Schedule 2 hourly minimum wage in 2022 to one-fourth the difference between the hourly minimum wage for Schedule 1 employers in 2021 and \$15.00, and increase this amount by the annual rate of inflation. The applicable hourly minimum wage shall be calculated to the nearest cent.

Adjustment Factor = (Schedule 1 employer hourly minimum wage in 2021 - \$15.00) / 4

Schedule 2 employer hourly minimum wage in 2023 = (Schedule 2 hourly minimum wage in 2022 + Adjustment Factor) x (1 + rate of inflation)

Effective January 1, 2024, Schedule 2 employers shall pay each employee an hourly minimum wage that is calculated as follows: add the Schedule 2 hourly minimum wage in 2023 to one-fourth the difference between the hourly minimum wage for Schedule 1 employers in 2021 and \$15.00, and increase this amount by the annual rate of inflation. The applicable hourly minimum wage shall be calculated to the nearest cent.

Adjustment Factor = (Schedule 1 employer hourly minimum wage in 2021 - \$15.00) / 4

Schedule 2 employer hourly minimum wage in 2024 = (Schedule 2 hourly minimum wage in 2023 + Adjustment Factor) x (1 + rate of inflation)

Effective on January 1 of 2025, and January 1 of every year thereafter, the hourly minimum wage paid by a Schedule 2 employer to any employee shall equal the hourly minimum wage applicable to Schedule 1 employers.

B. Schedule 2 employers can meet the applicable hourly minimum wage requirements through a payment of the minimum wage, provided that the Schedule 2 employer is in compliance with all applicable law.

Section 6. A new Section 14.19.050 is added to the Seattle Municipal Code as follows:

14.19.050 Hourly Minimum Compensation – Schedule 2 Employers

A. Effective January 1, 2015, Schedule 2 employers shall pay each employee an hourly minimum compensation of at least \$11.00. Pursuant to the following schedule, effective January 1 of each year thereafter, Schedule 2 employers shall pay each employee an hourly minimum compensation as follows:

<i>Year</i>	<i>Hourly Minimum Compensation</i>
2016	\$12.00
2017	\$13.00
2018	\$14.00
2019	\$15.00

Effective January 1, 2020, Schedule 2 employers shall pay each employee an hourly minimum compensation that is calculated as follows: add \$15.00 to one-half the difference between the hourly minimum wage for Schedule 1 employers in 2019 and \$15.00, and increase this amount

1 by the annual rate of inflation. The applicable hourly minimum compensation shall be calculated
2 to the nearest cent.

3
4
$$\text{Adjustment Factor} = (\text{Schedule 1 employer hourly minimum wage in 2019} -$$

5
$$\$15.00) / 2$$

6
$$\text{Schedule 2 employer hourly minimum compensation in 2020} = (\$15.00 +$$

7
$$\text{Adjustment Factor}) \times (1 + \text{rate of inflation})$$

8
9 Effective January 1, 2021, the hourly minimum compensation paid by a Schedule 2 employer to
10 any employee shall equal the hourly minimum wage applicable to Schedule 1 employers.

11 B. Schedule 2 employers can meet the applicable hourly minimum compensation
12 requirement through wages (including applicable commissions, piece-rate, and bonuses), tips and
13 money paid by an employer towards an individual employee's medical benefits plan, provided
14 that the Schedule 2 employer also meets the applicable hourly minimum wage requirements.

15 C. Effective January 1, 2025, minimum compensation will no longer be applicable as
16 defined in this Chapter.

17
18 Section 7. A new Section 14.19.060 is added to the Seattle Municipal Code as follows:

19 **14.19.060 Enforcement**

20 A. Powers and Duties

21 1. The Department shall receive and investigate charges alleging violations of this
22 Chapter as defined herein, and shall have such powers and duties in the performance of
23 these functions as are defined in this Chapter and otherwise necessary and proper in the
24 performance of the same and provided for by law.

2. The Director is authorized and directed to promulgate rules consistent with this Chapter.

B. Exercise of Rights Protected; Retaliation Prohibited

1. It shall be a violation for an employer or any other person to interfere with, restrain, or deny the exercise of, or the attempt to exercise, any right protected under this Chapter.

2. It shall be a violation for an employer to take adverse action or to discriminate against an employee because the employee has exercised in good faith the rights protected under this Chapter. Such rights include but are not limited to the right to file a complaint with the Department about any employer's alleged violation of this Chapter; the right to inform his or her employer, union or similar organization, and/or legal counsel about an employer's alleged violation of this section; the right to cooperate with the Department in its investigations of alleged violations of this Chapter; the right to oppose any policy, practice, or act that is unlawful under this section; and the right to inform other employees of his or her potential rights under this section.

C. Notice, Posting, and Records

1. Employers shall give notice to employees who are entitled to the minimum wage and minimum compensation as defined in this Chapter;

2. Every employer shall post in a conspicuous place at any workplace or job site where any covered employee works the notice published each year by the Department informing employees of the current minimum wage and minimum compensation rates and of their rights under this Chapter;

3. Employers shall retain payroll records pertaining to covered employees for a period of three years documenting minimum wages and minimum compensation paid to each employee.

1 D. Charges and Investigation

2 1. A charge alleging a violation of this Chapter shall be in writing and signed by or
3 on behalf of a charging party. An allegation of a violation should include a statement of
4 the dates, places, and persons or entities responsible for such violation.

5 2. Charges filed under this Chapter must be filed within 180 days after the
6 occurrence of the alleged violation.

7 3. The Director shall cause to be served or mailed by certified mail, return receipt
8 requested, a copy of the charge on the respondent within 20 days after the filing of the
9 charge and shall promptly make an investigation thereof.

10 4. The investigation shall be directed to ascertain the facts concerning the alleged
11 violation of this Chapter, and shall be conducted in an objective and impartial manner.

12 5. During the investigation the Director shall consider any statement of position or
13 evidence with respect to the allegations of the charge which the charging party or the
14 respondent wishes to submit. The Director shall have authority to sign and issue
15 subpoenas requiring the attendance and testimony of witnesses, and the production of
16 evidence including but not limited to books, records, correspondence or documents in the
17 possession or under the control of the employer subpoenaed.

18 E. Findings of Fact and Notice of Violation.

19 1. The results of the investigation shall be reduced to written findings of fact, and a
20 written determination shall be made by the Director that a violation of this Chapter has
21 occurred. The findings of fact shall be furnished promptly to the respondent and charging
22 party in the form of a notice of violation.

23 2. Within sixty days of a notice of violation, the Director shall confer with the
24 parties and determine an appropriate remedy, which may include full payment of unpaid

1 wages due to the charging party under the terms of this Chapter. Such remedy shall be
2 reduced to writing in an order of the Director.

3 F. Remedies

4 1. An employer who willfully violates the notice and posting requirements of this
5 section shall be subject to a civil penalty in an amount not to exceed \$125 for the first
6 violation and \$250 for subsequent violations.

7 2. It is unlawful for any employer to willfully resist, prevent, impede or interfere
8 with the Director in the performance of his or her duties under this Chapter. Conduct
9 made unlawful by this section constitutes a violation subject to the provisions of Chapter
10 12A.02 of the Seattle Criminal Code, and any employer who commits such a violation
11 may be punished by a civil penalty of not less than \$1,000 and not more than \$5,000.

12 3. For a first time violation of this Chapter, the Director shall issue a warning. For
13 subsequent violations, the Director shall also assess a civil penalty for improper payment
14 of minimum wage and minimum compensation as defined in this Chapter. A civil penalty
15 for a second time violation of this Chapter shall be not greater than \$500 per employee or
16 an amount equal to ten percent of the total amount of unpaid wages, whichever is greater.
17 A civil penalty for a third violation of this Chapter shall not be greater than \$5,000 per
18 employee or an amount equal to ten percent of the total amount of unpaid wages,
19 whichever is greater. The maximum civil penalty for a violation of this chapter shall be
20 \$20,000.

21 4. Within sixty days of a notice of violation of this Chapter, the Director shall confer
22 with the parties and determine an appropriate remedy, which may include full payment of
23 unpaid wages and accrued interest due to the charging party under the terms of this
24 Chapter. Such remedy shall be reduced to writing in an order of the Director.

25 G. Appeal Period and Failure to Respond

1. An employer may appeal the Director's order by requesting a contested hearing in writing within 15 days of service. If an employer fails to appeal the Director's order within 15 days of service, the Director's order shall be final and enforceable. When the last day of the appeal period so computed is a Saturday, Sunday, or federal or City holiday, the period shall run until 5:00 p.m. on the next business day.

H. Appeal Procedure and Failure to Appear

1. Contested hearings shall be conducted pursuant to the procedures for hearing contested cases contained in Section 3.02.090 and the rules adopted by the Hearing Examiner for hearing contested cases. The Director shall have the burden of proof by a preponderance of the evidence before the Hearing Examiner. Failure to appear for a requested hearing will result in an order being entered finding that the employer cited committed the violation stated in the Director's order. For good cause shown and upon terms the Hearing Examiner deems just, the Hearing Examiner may set aside an order entered upon a failure to appear.

2. In all contested cases, the Hearing Examiner shall enter an order affirming, modifying or reversing the Director's order.

Section 8. A new Section 14.19.070 is added to the Seattle Municipal Code as follows:

14.19.070 Severability

The provisions of this Chapter are declared to be separate and severable. If any clause, sentence, paragraph, subdivision, section, subsection or portion of this Chapter, or the application thereof to any employer, employee, or circumstance, is held to be invalid, it shall not affect the validity of the remainder of this Chapter, or the validity of its application to other persons or circumstances.

1 Section 9. A new Section 14.19.080 is added to the Seattle Municipal Code as follows:

2 **14.19.080 Other Legal Requirements**

3 This Chapter provides minimum wage and minimum compensation requirements and
4 shall not be construed to preempt, limit, or otherwise affect the applicability of any other law,
5 regulation, requirement, policy, or standard that provides for greater wages or compensation; and
6 nothing in this Chapter shall be interpreted or applied so as to create any power or duty in
7 conflict with federal or state law. Nor shall this Chapter be construed to preclude any person
8 aggrieved from seeking judicial review of any final administrative decision or order made under
9 this Chapter affecting such person.

1 Section 10. This ordinance shall take effect and be in force 30 days after its approval by
2 the Mayor, but if not approved and returned by the Mayor within ten days after presentation, it
3 shall take effect as provided by Seattle Municipal Code Section 1.04.020.

4 Passed by the City Council the ____ day of _____, 2014, and
5 signed by me in open session in authentication of its passage this
6 ____ day of _____, 2014.

7
8 _____
9 President _____ of the City Council

10
11 Approved by me this ____ day of _____, 2014.

12
13 _____
14 Edward B. Murray, Mayor

15
16 Filed by me this ____ day of _____, 2014.

17
18 _____
19 Monica Martinez Simmons, City Clerk

20 (Seal)