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FLASH UPDATE - Local and State Wage Increases in California

Increase to Statewide Minimum Wage

Effective January 1, 2018, the minimum wage in the State of California will increase from \$10.50 to \$11.00 per hour for employers with 26 or more employees, and from \$10.00 to \$10.50 per hour for employers with 25 employees or fewer. Annual increases will take place on January 1 each year until 2023, depending on business size. Thereafter, the rate may continue to increase based on increases to the consumer price index (CPI):

<u>Year</u>	<u>Small Business Rate (25 or fewer)</u>	<u>Large Business Rate (26 or more)</u>
2017	\$10.00	\$10.50
2018	\$10.50	\$11.00
2019	\$11.00	\$12.00
2020	\$12.00	\$13.00
2021	\$13.00	\$14.00
2022	\$14.00	\$15.00
2023	\$15.00	Based on CPI

Increase to State Minimum Salary Requirement for Exempt Employees

The minimum salary requirement for exempt employees in California is based on the state's minimum wage; therefore, effective January 1, 2018, the minimum salary requirement for exempt employees in the State of California will increase from \$43,680 to \$45,760 annually for employers with 26 or more employees, and from \$41,600 to \$43,680 annually for employers with 25 employees or fewer. Thereafter, annual increases to the minimum salary requirement for exempt employees will also take place on January 1 each year until 2023:

<u>Year</u>	<u>Small Business Rate (25 or fewer)</u>	<u>Large Business Rate (26 or more)</u>
2017	\$41,600	\$43,680
2018	\$43,680	\$45,760
2019	\$45,760	\$49,920
2020	\$49,920	\$54,480
2021	\$54,480	\$58,240
2022	\$58,240	\$62,400
2023	\$62,400	Based on CPI

Employers should contact counsel before the New Year to seek guidance on how to count employees in order to determine applicable rates, how to notify employees of wage increases, and whether their employees are properly categorized as exempt.

Increases to Local Minimum Wage Rates

In addition to the statewide minimum wage increase, many employers subject to local minimum wage ordinances will also see increases effective January 1, 2018. Minimum wage in the following cities will see increase effective January 1, 2018:

<u>Location</u>	<u>2017 Rate</u>	<u>2018 Rate</u>
Cupertino	\$12.00	\$13.50
El Cerrito	\$12.25	\$13.60
Los Altos	\$12.00	\$13.50
Milpitas	\$11.00	\$12.00
Mountain View	\$13.00	\$15.00
Palo Alto	\$12.00	\$13.50
Richmond	\$12.30	\$13.41
Sacramento	\$10.50	\$11.00 (101 or more employees)
San Jose	\$12.00	\$13.50
San Mateo	\$12.00	\$13.50
Santa Clara	\$11.10	\$13.00
Sunnyvale	\$13.00	\$15.00

Employers should monitor minimum wage ordinances in all localities in which their employees perform work. We anticipate that additional localities will enact minimum wage ordinances in 2018, and that localities with existing minimum wage ordinances will see additional increases. Employers must always pay the highest rate applicable in the area where employees perform work.

Employers seeking guidance on how to comply with local minimum wage ordinances (including whether a local ordinance is applicable to them), or who need assistance tracking changes in the various local ordinances should contact counsel before the New Year.

The purpose of our Employment Law Update is to inform clients and interested parties of recent developments in employment law. It should not be regarded as a substitute for comprehensive legal advice.