



Department: Human Resources
Cost Center: 3001
For Agenda of: 12/2/2025
Placement: Consent
Estimated Time: N/A

FROM: Nickole Domini, Human Resources Director
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SUBJECT: ADOPT A TEMPORARY EMPLOYEE SALARY SCHEDULE REFLECTING
2026 MINIMUM WAGE INCREASE

RECOMMENDATION

Adopt a Draft Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, adopting a Revised Temporary Employee Salary Schedule" to comply with California State law, requiring a minimum wage of \$16.90 per hour effective January 1, 2026. (Attachment A)

POLICY CONTEXT

California's minimum wage bill, Senate Bill No. 3, Chapter 4, An Act to Amend Sections 245.5, 246, and 1182.12 of the Labor Code, (Attachment B) was signed into law on April 4, 2016, when the State minimum wage amount was \$10.00. The bill required an annual increase in the minimum wage until it reached \$15.00 on January 1, 2022. The bill further states that minimum wage is to be adjusted annually based on changes in the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), with increases capped at 3.5 percent per year to account for inflation and maintain purchasing power.

Additionally, the California Public Employees Retirement System (CalPERS) requires the City to provide publicly available pay schedules in compliance with Public Employees' Retirement Law and the Public Employees' Pension Reform Act of 2013 (PEPRA). CalPERS requires that the schedule be duly approved and adopted by the employer's governing body in accordance with requirement of applicable public meetings laws. The attached salary schedule (Attachment C) meets these requirements for the proposed salary adjustments.

DISCUSSION

Background

A qualified temporary workforce is instrumental to the City of San Luis Obispo's ability to provide consistent services to the community by adjusting more easily and quickly to workload fluctuations, unexpected vacancies, leaves of absence, or demands from limited-term projects, seasonal, or peak periods. A temporary workforce also provides programs that would otherwise be difficult to staff due to the intermittent, seasonal, or non-traditional work hours (e.g., early mornings, weekends, evenings, etc.). For example, the City's Parks and Recreation Department typically employs over 200 temporary, part-time (less than 20 hours per week on average) employees at any given time. While many of these employees are seasonal (working only three to five months), they sustain programs and services essential to the community. Examples of these programs include providing before and after school care, summer children's camps, ensuring pool safety, special events, senior programs, and maintenance of the golf course and open space.

Temporary Salary Schedule Reflects Minimum Wage Increase

The minimum wage increased to \$16.00 for 2024, and to \$16.50 for 2025. This year, the California Department of Finance determined that the average U.S. CPI-W for the 12-month period from July 1, 2024, to June 30, 2025, increased by 2.49 percent compared to the average for the 12-month period from July 1, 2023, to June 30, 2024. As a result, state minimum wage will increase by 2.49 percent to \$16.90 per hour, effective January 1, 2026. The following table illustrates minimum wage increases for the state of California from 2019 to 2026:

Table 1: Statewide Minimum Wage Increases in California:
January 2019 through January 2026

Year	Hourly Minimum Wage	Change from Prior Year
2019	\$12.00	\$1.00
2020	\$13.00	\$1.00
2021	\$14.00	\$1.00
2022	\$15.00	\$1.00
2023	\$15.50	\$0.50
2024	\$16.00	\$0.50
2025	\$16.50	\$0.50
2026	\$16.90	\$0.40

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The City has a historical practice of differentiating salary grades by a consistent incremental difference. The starting salary difference between each grade reflects a pay scale that accommodates retention efforts, internal equity, market competitiveness, and progression structure. The difference between grades also simplifies budget planning and payroll forecasting which allows for predictable payroll increases when hiring or promoting employees. As a result, the City can plan for wage increases in a controlled manner, especially when dealing with a large temporary workforce. In past years, this has resulted in the need to change the identified salary grade for not only employees receiving the minimum wage but also to other salary grades to ensure that compaction does not occur. This year, however, only one salary grade on the Temporary Employee Salary Schedule is affected by the change in the state minimum wage and requires adjustment. The proposed modification increases Step 1 to align with the new minimum wage rate of \$16.90 per hour, with subsequent steps adjusted accordingly to maintain consistent progression. Table 2 below summarizes the impacted salary grade (Grade 900) and illustrates the proposed changes compared to the current pay structure.

Table 2: Current and Proposed Salary Steps for Grade 900

Impacted Salary Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9
Current Grade 900	\$16.50	\$16.91	\$17.33	\$17.76	\$18.20	\$18.66	\$19.13	\$19.61	\$20.10
Proposed Grade 900	\$16.90	\$17.32	\$17.75	\$18.19	\$18.64	\$19.11	\$19.59	\$20.08	\$20.58

Staff recommends that Council adopt the proposed minimum wage adjustments, effective January 1, 2026, to the Temporary Employee Salary Schedule as detailed in Exhibit A to the Resolution (Attachment C). As required by CalPERS, staff will post the salary schedule on the City's website.

Previous Council or Advisory Body Action

Council has been approving updates to minimum wage annually since 2016. The most recent Council approval was on [December 10, 2024](#), for the 2025 minimum wage changes.

Public Engagement

This item is on the agenda for the December 2, 2025 City Council meeting and will follow all required postings and notifications. The public may comment on this item at or before the meeting.

CONCURRENCE

The Parks and Recreation Department employs the majority of temporary employees across the City, and all employees affected by this year’s update to the state minimum wage are in the Parks and Recreation Department. Human Resources staff worked closely with Parks and Recreation department staff to ensure the recommendations will not create compaction issues – meaning the pay differentials between classifications remain appropriate so that employees in higher-level positions continue to earn more than those in lower-level positions. Minor compaction issues may be addressed by targeted step increases for employees whose salary grade is not affected by the changes to minimum wage.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action in this report because the action does not constitute a “Project” under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: No

Budget Year: 2025-26

Funding Identified: Yes

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$0	\$4,900	\$0	\$9,300
State				
Federal				
Fees				
Other:				
Total	\$0	\$4,900	\$0	\$9,300

The estimated annual ongoing cost is \$9,300, and the estimated six-month cost for the remainder of fiscal year 2025-2026 is \$4,900. This estimate also accounts for step increases for certain temporary employees to maintain appropriate pay differentials among positions. Due to salary savings resulting from full-time position vacancies, the Parks and Recreation Department can absorb the unbudgeted estimated cost associated with the updates to the temporary employee salary schedule within the department budget for fiscal year 2025-26 and will be incorporated into future departmental budgets.

ALTERNATIVES

Do not adopt the 2026 minimum wage-compliant Temporary Employee Salary Schedule. This is not advised as it would put the City in a position of being non-compliant with State law.

ATTACHMENTS

- A - Draft Resolution Adopting a Revised Temporary Employee Salary Schedule
- B - Senate Bill No. 3, Chapter 4 (An act to amend Sections 245.5, 246, and 1182.12 of the Labor Code)
- C - Exhibit A to the Resolution – Temporary Employee Salary Schedule effective January 1, 2026