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To: Sonoma County Board of Supervisors, County Administrator Sheryl Bratton, county staff

From: Dr. Peter Hall, Urban Studies, Simon Fraser University

Re: Expansion of the Sonoma County Living Wage Ordinance to the County Airport

In November 2015, I wrote to this Board after having reviewed the estimates of the potential fiscal impact of the proposed County of Sonoma Living Wage Ordinance on the Charles M. Schulz-Sonoma County Airport (STS). The estimates I reviewed at the time included both those contained in a report prepared by Dr. Jeannette Wicks-Lim, as well as estimates prepared by Mr. John Stout, Airport Manager.

I understand that the Board is now preparing to review and revise the County of Sonoma Living Wage Ordinance. It is also again considering whether to extend Living Wage coverage to those working at STS. I have also had the opportunity to review Dr. Jeannette Wicks-Lim's September 7, 2021 memo, *Cost Estimates of Strengthening Sonoma County's Living Wage Ordinance*.

In this brief letter, I would like to address four points:

- 1) The costs of applying the Living Wage Ordinance to businesses with service contracts at the airport, including mandating 12 paid sick days, are modest. Dr. Wicks-Lim's estimate that these expansions to include STS Airport will increase labor costs by about 0.6 percent of overall business revenue is consistent with research on living wage ordinances applied to airports elsewhere. The financial management of the airport as an 'enterprise department' implies that there is essentially no mechanism for the costs of the Ordinance to be passed on to the County; hence there is no mechanism by which the Ordinance can directly affect County revenue. Furthermore, there is no reason to think that the Ordinance will negatively affect airport business operations; hence there is no reason to think that the Ordinance will indirectly affect County revenues.

- 2) The COVID-19 pandemic has disrupted airport operations across the world since March 2020, and passengers will place a premium on health and safety as travel activities return to pre-pandemic levels. Any action by an airport authority to reassure passengers that employees are well-trained, fairly compensated, and that they feel secure in not coming to work when they feel unwell, will be a competitive advantage. The expansion in mandated paid sick days from 3 to 12 days for Airport employees supports this goal.
- 3) Airport performance, with respect to scheduled air passenger services and enplanements, has been strong and has not been negatively affected by the Ordinance elsewhere in the County.
 - a. Since 2014, Alaska Airlines has been joined by other airlines in providing scheduled service at STS. Today these include American, Avelo and United Airlines. Allegiant and Sun Country provided scheduled services and then stopped doing so before the pandemic, due to passenger load and routing reasons unrelated to airport labor costs.
 - b. According the Bureau of Transportation Statistics (T-100 Market data), enplanements at the airport grew from 116,896 in 2014 to 239,446 in 2019. This represents 105% growth. In comparison, annual enplanements grew over the same time period by 67% at San Jose, 29% at Oakland and 47% at Sacramento (competitor airports) and only 25% at Monterey (a comparably sized California airport).
 - c. Competition from Napa County Airport in scheduled air service has not emerged.
- 4) Employment and earnings for airport workers in the County of Sonoma have increased:
 - a. Airport employment grew, as might be expected given the expanded scheduled services and activity: according to the US Bureau of Census Quarterly Workforce Indicators, in Sonoma County in the fourth quarter of 2014, there were 87 employees in the “Support Activities for Air Transportation” subsector. This number rose above 100 for the first time in 2016, and reached 130 in the fourth quarter of 2019. This represents 49% growth; in comparison, employment in the same subsector in the entire State of California grew by 31% over the same time period.
 - b. Earnings of airport workers increased: the average monthly earnings of employees in the “Support Activities for Air Transportation” subsector in

Sonoma County rose from \$3,776 to \$4,743 between the 4th quarter of 2014 and the 4th quarter of 2019. This represents 26% growth; in comparison, average monthly earnings in the same subsector in the entire State of California grew by 5% over the same time period.

- c. Earnings increases were especially large for new hires, as might be expected given the increase in airport activity and implementation of \$15 (by 2020) citywide minimum wage laws in Santa Rosa and Petaluma: the increase in average monthly earnings for new employees (that is, average monthly earnings of full-quarter employees who started working with a firm in the previous quarter) in the “Support Activities for Air Transportation” subsector in Sonoma County between the 4th quarter of 2014 and the 4th quarter of 2019, was 62%. In comparison, average monthly earnings for new hires in the same subsector in the entire State of California grew by 16% over the same time period.
- d. The increase in earnings of airport workers in the lead-up to the pandemic imply that the costs of extending the Ordinance to them are smaller than they might have been.

In summary, there are indications in the data that the Airport Commission has been able to thrive in its scheduled passenger service goals and will be able to continue to do so with Living Wage coverage. In my opinion, the implications for the Sonoma County Airport of the proposed Living Wage Ordinance are modest and manageable with respect to service contracts, and are unlikely to have a negative impact on the desired expansion of scheduled air services. Indeed, they may have positive impacts for positioning Sonoma County as an airport of choice for the post-pandemic flying public. The Living Wage law will affect only a small number of tenants, and the Airport Commission should be able to work with these tenants to clarify, and if necessary, mitigate the effects while achieving the on-site and wider social benefits of paying higher wages.

If you have any more questions, please do not hesitate to contact me by email at pvhall@sfu.ca.

Yours sincerely,



Peter V Hall, Professor