

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: November 25, 2015
To: Teig Whaley-Smith, Director, Department of Administrative Services
From: Jerome J. Heer, Director of Audits
Subject: Status Report on Implementation of Milwaukee County Government Minimum Wage Ordinance (MWO) (File No. 13-195)

Background

In March 2014, the Milwaukee County Board of Supervisors adopted a Minimum Wage Ordinance (MWO) affecting County workers and certain contractors doing business with Milwaukee County. The new law established a minimum wage of \$11.47 and \$11.66 for 2014 and 2015, respectively, to be paid to employees of vendors working under certain types of contracts with the County. Service contracts, such as those providing housekeeping, security, landscaping, maintenance, food service, and other non-professional services, examples of the types of contracts affected by the new law.

The MWO became effective for new contracts entered into beginning June 1, 2014. Generally, contracts entered into prior to that date are not subject to the MWO until the existing contract period has ended.

In 2010, the County entered into a contract with MidAmerican Building Services to provide housekeeping and janitorial services for the Courthouse Complex and County Grounds. The contract was for one year, with an option to renew for two additional one-year periods by mutual agreement of the County and the vendor. The contract period ended on January 13, 2013, and efforts to award a successor contract to MidAmerican failed to receive legislative support. Subsequently, without a new contract or vendor in place, the County has simply extended the contract and its related financial terms on a month-to-month basis.

A brief extension of an existing contract may become necessary if efforts to provide for a continuation of a service are not completed by the end of the existing contract period. However, the current 22-month extension has the effect of circumventing the MWO since the new law only covers contracts entered into beginning June 2014. If this practice were to be continued indefinitely, contractor employees who otherwise would receive the financial benefits envisioned by MWO adoption would continue to receive the lower contracted wages.

Resolution 15-529 was enacted to make whole those contractor employees working on the County housekeeping contract who were effectively denied the benefits of the higher minimum wage called for by the MWO, for the period June 1, 2014 through August 31, 2015.

Analysis

As directed by the Resolution, the Audit Services Division has been working with MidAmerican management to identify staff who worked on the County contract, the number of hours each person worked, and their hourly pay rate over the 15-month period covered by the Resolution. A total of 63 former and current staff were identified. We reviewed calculations for accuracy made by MidAmerican for each of the 36 current and 27 former employees charged to the County housekeeping and janitorial contract. We also reviewed detailed weekly timesheets used to support MidAmerican's calculations. Minor differences were identified and communicated to MidAmerican as a result of this review. The following summarizes the cost of bringing this contract into compliance with MWO for the 15 month review period ended August 31, 2015.

No. of Employees That Worked on Housekeeping Contract (63):

Current	36
Former	27

Salary Statistics

Average Increase Per Worker	\$3,285
Median Increase	\$2,672
Range of Increases	
Highest	\$8,335
Lowest	\$16

No. of Hours Worked Over 15 Month Period: **76,055**

Regular Time	75,480
Overtime	575

Total Salary Increase to Meet Minimum Wage: **\$206,961**

Estimated Additional Payroll Costs:

Social Security (6.2%)	\$12,832	
Medicare (1.45%)	\$3,001	
State Unemployment Tax (2.23%)	\$4,615	
Federal Unemployment Tax (0.6%)	\$1,242	
Workers Compensation (4.89%)	\$10,131	
Total Estimated Additional Payroll Costs		<u>\$31,821</u>

Total Additional Costs **\$238,782**

The County Board authorized the Department of Administrative Services (DAS) to process an appropriation transfer from the Appropriation for Contingencies in an amount not to exceed \$505,000 to cover the increased cost of applying MWO to this contract for the period June 1, 2014 – August 31, 2015. As noted above, the actual cost will be far less than originally estimated.

Working with Corporation Counsel and Audit, DAS has developed a plan that ensures that each employee receives the back pay covering their work on the County contract. The plan, which involves an amended purchase order also addresses September 1 – December 31, 2015. For 2016, DAS's budget request for housekeeping services includes the cost of the MWO.

Teig Whaley-Smith, Director, Department of Administrative Services
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If you have any questions, please call me at 278-5185.

A handwritten signature in black ink, appearing to read "Jerome J. Heer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jerome J. Heer

JJH/cah

cc: Scott Manske, Milwaukee County Comptroller
Theodore Lipscomb, Sr., Chairman, Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Jeremy Theis, DAS-Facilities Management Director
Paul Bargren, Corporation Counsel
Edward Aprahamian, President, MidAmerican Building Services