

**COUNTY OF MILWAUKEE  
INTEROFFICE COMMUNICATION**

DATE : December 12, 2013  
TO : Chairwoman Marina Dimitrijevic  
FROM: Scott B. Manske, Comptroller  
RE : Fiscal Analysis of the Proposed Minimum Wage

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At the request of Supervisor David Bowen, the Office of the Comptroller is submitting the following fiscal analysis of the proposed minimum wage ordinance.



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Scott B. Manske  
Comptroller

cc: Supervisor David Bowen  
Supervisor Khalif Rainey  
County Executive Chris Abele  
Amber Moreen, Chief of Staff, Office of the County Executive  
Jerry Heer, Director of Audits, Office of the Comptroller  
Steve Cady, Research Director, Office of the Comptroller

## EXECUTIVE SUMMARY

Milwaukee County is proposing a Minimum Wage Ordinance (County MWO). The County MWO will require businesses that enter into certain contracts, leases, concessions, or that receive subsidies or other public benefits from local government to pay a “living wage” to the workers employed as a result of this funding. In addition, all tenants within a development that received over \$1.0 million in funding from Milwaukee County will also be subject to the County MWO. Working with departments, the Office of the Comptroller identified the impact to Milwaukee County for contracts, leases and other operations that fall within the boundaries of the County MWO. This amount does not include the impact if a developer chooses to receive financial assistance directly from the County in excess of \$1.0 million. The pages below offer a more detailed analysis by contract area and by department where applicable. The estimated expenditure increase in 2014 is \$1.9 million rising to \$8.0 million in 2015 and continuing to increase annually thereafter. Costs will continue to increase as current contracts expire and the bidding for new contracts requires compliance with the County MWO.

For 2014, few revenue sources are available to offset the increase in expenditures resulting in \$1.7 million of tax levy funding needed to support the additional costs. Since the 2014 Budget has already been adopted, funding will need to come from either the Contingency Fund or savings found in departments from other items or the costs will fall to the final surplus/deficit for Milwaukee County for 2014. In years 2015 – 2017 Family Care reserves are available to offset the financial impact in that department. In 2018 when the Family Care reserves are exhausted, it is anticipated that the \$8.4 million in tax levy funding will be needed to support the additional costs of the County MWO.

The Office of the Comptroller understands that many studies have been performed regarding “Living Wage” ordinances. These studies have been done to show the social, economic and fiscal impact that the implementation of a “Living Wage” ordinance can have. In fact, many of these studies point to data suggesting that employers actually absorb the full impact of the minimum wage increase through various efficiencies and other mechanisms, with no pass-through of cost increases to the government entity. The Office of the Comptroller acknowledges that the impact of the County MWO may be minimal for certain service and concession contracts where employers absorb most of the increased wage costs. However, as discussed in detail below, other agreements will likely result in significant impacts to the County.

The implementation of the County MWO and the impact on tax levy is a decision policy makers will need to evaluate and assess the cost versus the benefit to Milwaukee County and its residents. There are two areas of the County MWO that Office of the Comptroller has substantial concerns as summarized below. Additional detail is contained in the report:

### **Impact on Family Care and the Family Care Reserves**

Contracts with preferred provider agencies that exclusively contract with Milwaukee County’s Family Care program to provide personal care and supportive home care are included under the County MWO. The additional cost to Family Care to comply with the County MWO is \$5.4 million in 2015. Family Care maintains excess reserves which can be used to offset costs of the program. Although the added Family Care expenditures of \$5.4 million could be offset in the near future by Family Care reserves, it is estimated that the Family Care excess reserves will be exhausted due to the County MWO by the end of 2017, possibly sooner. Family Care, by State contract, must maintain certain other restricted reserves;

therefore tax levy would be required to subsidize the Family Care costs after 2017. While the reserves remain sufficient to meet State requirements, there will be no tax levy impact. When State requirements are not met or reserves are exhausted, the State may allow the County to supplement MCDFC losses with tax levy or may choose to terminate the program. The current trend by the State has been to terminate insolvent programs.

### **Impact on Economic Development in Milwaukee County**

The County MWO includes a provision if a developer chooses to receive financial assistance directly from the County in excess of \$1.0 million, the developer and their buildings' tenants would be subject to the County MWO for their employees and for services provided within the building. The site must comply with the County MWO for the equivalent of 1 year for every \$100,000 of financial assistance. It is estimated that the \$100,000 of benefit is equivalent to 20 people being raised to the "living wage". If developers find it too costly to develop County land, they may choose other properties with similar land value and less costly contingencies or merely purchase the land from Milwaukee County at fair market value and seek aid from municipalities for development of sites.

While Milwaukee County currently plays a minor role in economic development in the region compared to most municipalities, the inclusion of developers and their tenants in the County MWO may reduce the County's role to nonexistent. The direct financial risk to Milwaukee County is the loss of potential land sales. However, there is additional impact to the community, as County properties could remain undeveloped or the value of projects will be decreased to achieve a breakeven in complying with the County MWO.

### **Fiscal Analysis**

This fiscal analysis provides the Office of the Comptroller's best estimate of the cost of a MWO. The Office of the Comptroller consulted with departments to determine both contracts affected and potential fiscal impacts. The actual tax levy impact to the County will not be known until future contracts are bid and accepted in the normal course of the County operations. The MWO will not apply to existing contracts.

The chart below shows the types of operations that were reviewed and the estimated additional expenditures required for those operations, and possible revenue offsets available for the next six years. The costs and associated State and Federal revenues have been inflated by 2.5% per year to match the historical increase in the "living wage" rate.

Annual Costs of the Proposed Minimum Wage Ordinance						
	2014	2015	2016	2017	2018	2019
<b>Expenditures:</b>						
Food Service	\$ 8,248	\$ 239,247	\$ 245,204	\$ 251,310	\$ 257,567	\$ 263,981
Security	\$ 284,488	\$ 494,526	\$ 551,418	\$ 565,148	\$ 579,221	\$ 593,643
Janitorial	\$ 922,953	\$ 945,935	\$ 969,489	\$ 993,629	\$ 1,018,370	\$ 1,043,728
Clerical	\$ 55,365	\$ 56,744	\$ 58,157	\$ 59,605	\$ 61,089	\$ 62,610
County Wages	\$ 571,883	\$ 586,123	\$ 600,717	\$ 615,675	\$ 631,005	\$ 646,717
Family Care - Personal & Supportive Home Care	\$ -	\$ 5,365,298	\$ 5,498,894	\$ 5,635,817	\$ 5,776,148	\$ 5,919,975
Parks Concession Agreements	\$ 3,960	\$ 26,601	\$ 91,929	\$ 98,614	\$ 112,083	\$ 120,031
Airport Concession Agreements	\$ -	\$ 250,178	\$ 256,408	\$ 262,792	\$ 784,011	\$ 1,422,079
Zoo Concession Agreements	\$ 7,437	\$ 17,936	\$ 35,819	\$ 36,711	\$ 37,625	\$ 38,562
Lease Agreements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Audit Function	\$ 253,000	\$ 259,300	\$ 265,756	\$ 272,374	\$ 279,156	\$ 286,107
Financial Assistance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>SubTotal</b>	<b>\$2,107,334</b>	<b>\$ 8,241,886</b>	<b>\$ 8,573,790</b>	<b>\$ 8,791,674</b>	<b>\$ 9,536,276</b>	<b>\$10,397,433</b>
<b>Revenue:</b>						
Airlines Rates & Charges	\$ (145,884)	\$ (399,695)	\$ (365,068)	\$ (374,158)	\$ (898,151)	\$ (1,539,061)
Family Care Reserves	\$ -	\$ (5,365,298)	\$ (5,498,894)	\$ (5,635,817)	\$ -	\$ -
Other	\$ (10,595)	\$ (10,859)	\$ (11,129)	\$ (11,406)	\$ (11,690)	\$ (11,981)
<b>SubTotal</b>	<b>\$ (156,479)</b>	<b>\$ (5,775,852)</b>	<b>\$ (5,875,092)</b>	<b>\$ (6,021,381)</b>	<b>\$ (909,841)</b>	<b>\$ (1,551,042)</b>
<b>Tax Levy</b>	<b>\$1,950,856</b>	<b>\$ 2,466,035</b>	<b>\$ 2,698,699</b>	<b>\$ 2,770,293</b>	<b>\$ 8,626,435</b>	<b>\$ 8,846,391</b>

This document does not discuss options for the funding of the projected tax levy impact. Any change to the proposed County MWO may affect the future tax levy impact. The costs identified are for the major items made known to us during our review. Other issues may arise subsequent to the issuance of this report, which we were unaware of or were not considered included under the proposed County MWO.

The preparation of this report could not have been accomplished without the assistance of personnel in the various departments. We would like to express our appreciation to all persons who assisted in its preparation.

## OVERVIEW

Milwaukee County is proposing a Minimum Wage Ordinance (County MWO). The County MWO is similar to living wage ordinances that have been implemented by other governmental units in the United States. However, no two “living wage”, minimum wage, or prevailing wage ordinances, statutes or laws are the same. The County MWO will require businesses that enter into certain contracts, leases or concessions with Milwaukee County or that receive subsidies or other public benefits from the County to pay a “living wage” to the workers employed as a result of this funding. For the proposed ordinance a “living wage” is defined as “the minimum hourly compensation rate equal to 110% of the poverty income level for a family of four as published by the US Department of Health and Human Services divided by 2080 hours.” As of December 12, 2013, the County minimum wage rate would be \$12.45 per hour. Per the ordinance, this rate will change on February 1 of each year.

There are two types of minimum wage laws: 1) broad legislation that covers all employers in that jurisdiction, regardless of the relationship with the government, or 2) narrow legislation that is applied only to entities that have a contractual relationship with the government. The proposed County MWO is narrow legislation that will only apply to certain vendors of the County. The County MWO does not

require Milwaukee County businesses not doing business directly with Milwaukee County to comply with the minimum wage rate set in the ordinance.

Under State Statute, the County is not allowed to create a minimum wage ordinance that would apply unilaterally to all businesses operating within Milwaukee County. However, pursuant to Wisconsin State Statute Chapter 104.001 (3) (a) the County may establish a minimum wage ordinance for:

- Milwaukee County employees;
- Employees who perform work under a contract for services with Milwaukee County; or,
- Employees who perform work that is funded by financial assistance from Milwaukee County.

In contrast, the Federal Minimum Wage Law is a broad law that requires pay of \$7.25 per hour, with exceptions for certain occupations or industries. States are allowed to adopt their own broad minimum wage law, with Federal law as a floor. Twenty-two states have adopted the Federal Minimum Wage Law, and 19 states have adopted minimum wage laws that exceed the Federal limit. The State of Wisconsin has adopted the Federal Minimum Wage rate.

Milwaukee County spends hundreds of millions of dollars every year with private businesses service contracts, lease and concession agreements, and economic development incentives and subsidies. The County budgeted \$269 million in 2014 for Service-related items including transit operations and \$408 million for purchase of service contracts within the health and human needs area.

Based on the proposed ordinance, the following types of contracts **will be** subject to a living wage provision. This list is not exhaustive, but is representative of the types of services and contracts that will be subject to the ordinance:

- Service Contracts which generally include services such as: janitorial and housekeeping services, security, landscaping, clerical services, food services.
- Personal care and home healthcare services for Family Care members in their homes, provided by agencies that exclusively contract with Milwaukee County.
- Concession Agreements with a value of \$20,000 or more which generally include services such as: food services at the airport, car rental services at the airport, food services throughout the County Parks, various services at the Zoo and other miscellaneous concessions through the County.
- Leases of \$20,000 or more, excluding agreements such as Milwaukee Public Museum, Milwaukee Performing Arts Center, and other cultural entities, governments, and leases with non-profit entities. Generally, this applies to certain for-profit entities operating businesses on County Parks land.
- Any type of contract which provides economic development financial assistance from Milwaukee County in excess of \$1,000,000 or more to a recipient, which would generally include development agreements and will likely impact land sales at the Park East and Downtown Transit Center.

The following types of contracts **are not** subject to the County MWO, as specifically stated in that document:

- Purchase of goods or commodities or its delivery.
- Equipment lease or maintenance.
- Contracts or leases with any school district, municipality, or any other governmental unit.
- Contracts in which State or Federal funder has a prevailing wage requirement.
- Contracts with Family Care other than preferred provider agencies that exclusively contract with Milwaukee County to provide personal care and supportive home care.
- Leases with cultural institutions.
- Professional Service Contracts under Chapter 56 of County ordinances.
- Purchase of Service contracts under Milwaukee County Ordinance Chapter 46.09.
- County financial assistance to nonprofit corporations, unless the nonprofit passes an amount equal to a \$1,000,000 benefit of the financial assistance to a for profit entity.

The following types of contracts **are not** subject to the County MWO, by their absence in the County MWO.

- Management Contracts such as those for Transit/ Paratransit and parking at the Airport.
- Fee for Service agreements for Wraparound and DHHS/ BHD.

A separate table is attached which shows a list of contract types for Milwaukee County and whether the contracts are included or not-included in the County MWO.

The proposed County MWO will also apply to pay grades within the Milwaukee County Civil Service System where the first step is less than \$12.45 and to pay grades where the first step is between \$12.45 and \$13.50. The pay grades would have to be amended to place the “living wage” at the first step of the pay scale, and then each higher step inflated from that base. Therefore, all positions, currently assigned to those pay grades would be adjusted. While less than 110 non-seasonal employees make less than \$12.45 per hour, approximately 350 employees of Milwaukee County will be impacted by this change because they reside in one of twelve pay ranges impacted by this change. The Wisconsin State Statute Chapter 104 excludes certain employees from the State Minimum Wage Statute; the County MWO excludes these same employee groups. The County MWO in 111.03 (3) further excludes other employees such as interns, seasonals, volunteers receiving stipends, and companies subject to the provisions of the County MWO that have 20 employees or less.

The County MWO provides for the automatic adjustment of the minimum wage based on the Federal Poverty Guidelines issued annually by the U.S. Department of Health and Human Services. Below is the history of the minimum wage at 110% of the poverty level for a family of four. The effect of this provision will be an increase in costs annually associated with all employees of Milwaukee County and employees of vendors subject to the County MWO. Please take note of the recent percentage increases. Based on the figures below, the average increase is 2.5 percent, and has been taken into account in our fiscal analysis.

<b>Living Wage Rates</b>		
<b>Year</b>	<b>LWO Rate</b>	<b>Pcntg Incr</b>
2014	\$ 12.45	2.05%
2013	\$ 12.20	3.13%
2012	\$ 11.83	1.37%
2011	\$ 11.67	0.00%
2010	\$ 11.67	4.01%
2009	\$ 11.22	2.75%
2008	\$ 10.92	3.21%
2007	\$ 10.58	3.32%
2006	\$ 10.24	2.61%
2005	\$ 9.98	2.46%

## **CAVEAT ON FINANCIAL IMPACT**

The County MWO will have a financial impact on the County and on the businesses that choose to do business with the County. However, given the timeframe in which this report was produced, the long-term financial impact of this ordinance is not easily quantified. Many of the contracts affected by this ordinance will only be impacted as current contracts expire and new contracts are negotiated. For example, many concession agreements within the Department of Parks, Recreation and Culture (DPRC) are long-term contracts that have five or more years remaining on the current contract. Other leases that the County has are long-term and will be unaffected by this ordinance for years unless amendments to the contracts are negotiated. And, most contracts for 2014 have already been negotiated lessening any fiscal impact in 2014.

In an effort to analyze the possible financial risks associated with the County MWO, the Office of the Comptroller has assembled areas where the County MWO will likely have a financial or operational impact to the County. It is important to note that this fiscal analysis was not intended to fully cover the universe of contracts that this ordinance will impact. It is likely that this ordinance will have unintended consequences as new or previous agreements are negotiated and become subject to the provisions of the County MWO. Until such time, those impacts will remain unknown.

A survey was sent to many of the larger contracted entities that were likely to be impacted by the County MWO. Only a few of these surveys were returned to the County. Calls were made by departments to contract employers who were potentially impacted by the County MWO. In certain cases, data was received from the employer that allowed us to perform the calculation, in other cases only limited data was received. If a County department maintains specific wage data for a contracted employer, than that data was used to calculate the fiscal impact of the proposed County MWO. If data was limited, research was done to attempt to determine a fiscal impact of the County MWO. The research included internet searches, discussions with departments, using data for similar contract vendors, or hypothesizing on the potential impact. Where no data existed, or where no current financial impact could be determined the

Office of the Comptroller stated that the impact was unknown. The County had specific data for the County wages, janitorial service contracts, clerical contracts, and Family Care identified programs.

The Office of the Comptroller understands that many studies have been performed regarding “Living Wage” ordinances. These studies have been done to show the social, economic and fiscal impact that the implementation of a “Living Wage” ordinance can have. In fact, many of these studies point to data suggesting that employers actually absorb the full impact of the minimum wage increase through various efficiencies and other mechanisms, with no pass-through of cost increases to the government entity. The Office of the Comptroller acknowledges that the impact of the County MWO may be minimal for certain service and concession contracts where employers absorb most of the increased wage costs. However, no tools exist to precisely predict how the market will react to a County MWO and in what situations an employer may fully absorb the cost or in what situations an employer may absorb no costs or may partially absorb the costs. Further complicating the issue is the current economic market and the impact that such a market will have on a MWO. Therefore, for purposes of this fiscal analysis, the maximum financial risk to the County is presented, which assumes that 100 percent of the costs will be passed through to the County. Where revenue offsets are known, they are also included.

## SERVICE CONTRACTS

**Annualized Impact**                    **\$1,736,800**  
**2014 Impact**                            **\$1,268,677**  
**Annualized Tax Levy**                **\$1,692,000**

Service Contracts - Impact of County MWO							
Type	Avg Wage Rate	Impacted Employees	Addl Wage Cost	Addl Tax Cost	Total Cost	Revenue Offset	Net Tax Levy
Food Service	\$ 10.08	46.0	\$ 193,600	\$ 39,800	\$ 233,400	\$ -	\$ 233,400
Security	\$ 10.12	90.0	\$ 435,300	\$ 89,700	\$ 525,000	\$ (42,400)	\$ 482,600
Janitorial	\$ 9.10	110.0	\$ 765,400	\$ 157,600	\$ 923,000	\$ -	\$ 923,000
Clerical	\$ 11.88	44.0	\$ 46,000	\$ 9,400	\$ 55,400	\$ (2,400)	\$ 53,000
			\$ 1,440,300	\$ 296,500	\$ 1,736,800	\$ (44,800)	\$ 1,692,000
	<b>End Date</b>	<b>Full Contract Cost</b>	<b>Net Tax Levy</b>	<b>Percentage Impact 2014</b>	<b>2014 Tax Levy</b>		
Food Service	Varies	\$ 9,810,300	\$ 233,400	4.0%	\$ 8,248		
Security	Varies	\$ 3,650,900	\$ 482,600	54.0%	\$ 284,488		
Janitorial	Open	\$ 3,374,600	\$ 923,000	100.0%	\$ 922,953		
Clerical	Open	\$ 1,554,600	\$ 53,000	100.0%	\$ 52,987		
			\$ 1,692,000		\$ 1,268,677		

\*Amounts shown as if all contracts were subject to minimum wage ordinance as of January 1, 2014.

The County has agreements with food service vendors for the preparation of meals at the House of Correction, which also provides meal for the Criminal Justice Facility, and at the Behavioral Health Division, which also provides meals for the senior meal program. It was determined that 46 food service



employees make less than the minimum wage rate of \$12.45. Based on one agreement terminating in mid-2014, and the second one terminating at the end of 2014, the impact in 2014 will be \$8,248.

Security services are contracted to various providers at the Airport, Behavioral Health Division and Office of the Sheriff. These security contracts were based on bids from the procurement division under Chapter 32. Communications with some of the vendors has indicated that certain security workers make less than the minimum wage. One of the vendors did not provide data, so an estimated cost was derived based on the costs of the other security vendors. Based on our best estimate, 90 employees will be affected. Based on the agreement end dates staggered in 2014, the estimated impact for 2014 will be \$284,488.

The janitorial contract was bid prior to the County MWO, and has not yet been approved. Based on discussions with the proposed vendor and our best estimate, a total cost was derived. No discussion occurred with the vendor whether the costs would be passed onto the County or not. It is worth noting that because the County currently procures janitorial services through a month-to-month agreement with the current vendor the County MWO would likely apply to the current vendor immediately. Should the current vendor choose not to continue its contract with the County unless reimbursed for the additional costs of the MWO, the County may find itself in a position with no vendor.

The clerical contracts are related to the temporary help firms that provide clerical support to the County. In reviewing the contracts, the Office of the Comptroller was able to determine which contracted rates was less than the minimum wage. The cost impact is noted above.

## MILWAUKEE COUNTY WAGES

**Annualized Impact**                    **\$572,000**  
**2014 Impact**                            **\$572,000**  
**Annualized Tax Levy Impact** **\$417,900**

Milwaukee County Employee Cost - Impact of County MWO							
Type	Avg Wage Rate for Group	Impacted Employees	Addl Wage Cost	Addl Tax Cost	Total Cost	Revenue Offset	Net Tax Levy
Full Time	\$ 14.82	267.0	\$ 456,200	\$ 34,900	\$ 491,100	\$ (154,100)	\$ 337,000
Half Time	\$ 11.81	79.0	\$ 74,600	\$ 5,700	\$ 80,300	\$ -	\$ 80,300
3/4 Time	\$ 15.50	1.0	\$ 600	\$ -	\$ 600	\$ -	\$ 600
		347.0	\$ 531,400	\$ 40,600	\$ 572,000	\$ (154,100)	\$ 417,900
	<b>End Date</b>	<b>Full Salary Cost</b>	<b>Net Tax Levy</b>	<b>Percentage Impact 2014</b>	<b>2014 Tax Levy</b>		
Full Time	1/1/2014	\$ 8,231,768	\$ 337,000	100.0%	\$ 337,000		
Half Time	1/1/2014	\$ 970,490	\$ 80,300	100.0%	\$ 80,300		
3/4 Time	1/1/2014	\$ 24,174	\$ 600	100.0%	\$ 600		
			\$ 417,900		\$ 417,900		

\*Amounts shown as if all wages were subject to minimum wage ordinance as of January 1, 2014.

The County MWO requires that all employees be paid the minimum wage with the exception of interns and seasonal employees. There are currently less than 110 employees who make less than \$12.45 per hour. These employees are in positions of security, nursing assistance and janitorial. The cost impact associated with increasing these 110 employees actually includes the cost of adjusting all employees in the pay grades that are impacted. Changes to 12 pay grades would result from the County MWO and impact 347 employees in total. For purposes of this calculation, the base step in each pay grade was adjusted to either \$12.45 or by \$0.21. Each step thereafter was inflated by the same amount as the first step. Because entire pay grades were impacted, employees other than those below the minimum wage were impacted.

The County MWO requires an annual increase in the minimum wage based on the new Federal Poverty Guidelines. The result is that these 12 pay grades (and others in the long-term) will have to be adjusted annually. This could potentially result in annual increases to employees within these pay grades while other employees may be subject to no increases based on the annual budget process. Over time, this could result in additional pay grades being adjusted annually. The County could consider pay bands for these 12 pay grades, and lift the bottom of the pay band each year.

## DEPARTMENT OF FAMILY CARE

**Annualized Impact**                    **\$5,234,947**  
**2014 Impact**                            **\$0**  
**Annualized Tax Levy Impact** **\$0**

Family Care Contracts - Impact of County MWO							
Type	Avg Wage Rate	Impacted Employees	Addl Wage Cost	Addl Tax Cost	Total Cost	Revenue Offset	Net Tax Levy
SHCE	\$ 10.54	2,428.0	\$ 4,369,135	\$ 996,163	\$ 5,365,297	\$ (5,365,297)	\$ -
			\$ 4,369,135	\$ 996,163	\$ 5,365,297	\$ (5,365,297)	\$ -
	<b>End Date</b>	<b>Full Contract Cost</b>	<b>Net Tax Levy</b>	<b>Percentage Impact 2014</b>	<b>2014 Tax Levy</b>		
SHCE	12/31/2014	\$ 32,046,071	\$ -	0.0%	\$ -		
			\$ -		\$ -		

Preferred provider agencies exclusively contracting with Milwaukee County Department of Family Care (MCDFC) to provide personal care, supportive home healthcare and home healthcare would be subject to the County MWO.

Based on the data provided by the MCDFC for these three agencies, approximately 1,234 employees make an average of \$10.35; 1,085 make an average of \$10.50; and 109 make \$10.78. Increasing these employees to \$12.45 an hour results in an increase of approximately \$5,234,947 for these services, on an annual basis. It is our understanding that two of the providers have workers represented by unions. Language within the resolution states that if a union and company have an agreement as to “living wage” than the County MWO would not have to be considered for the vendor contract. No determination was

made as to whether the current contract between the union and the preferred provider allows for application of the minimum wage to these employees. It was assumed for purposes of the fiscal analysis that the County MWO would apply to all workers.

In reviewing the financial impact of the County MWO on the MCDFC, it appears that the County MWO poses potential risks for the overall fiscal health of the MCDFC. The major risk is that the MCDFC is unable to fully absorb the increase in costs for the County MWO over time and continues to tap reserves to cover shortfalls. In the event that reserves were exhausted, one of two events will occur:

- Termination by the State of the Department of Family Care contract, or
- Supplement of MCDFC losses with County tax levy if selected by the County Board and approved by the State.

The current trend by the State has been to terminate an insolvent MCO's contract.

Based on the model impacted by the County MWO, the full cost of the County MWO will be paid by the MCDFC. There would be no potential sharing of costs between the contractor and MCDFC because the three agencies subject to the ordinance act significantly similar to a temporary agency specifically for MCDFC in the provision of these services.

Since the full impact is paid by the MCDFC, the cost would have to be absorbed within the current year capitation rate (per member per month rate) received by the MCDFC from the State. Capitation rates are determined by the State based on a variety of factors. The capitation rate is typically set in late summer for the upcoming year using data from two years prior. Therefore, if the increase in costs due to the County MWO were to have a difference on the capitation rate, it would have no impact for at least two years following the enactment of the ordinance. In the past, the State has exercised their authority to determine if a rate increase that an MCO has given to a provider is "too high". If they do so again in this instance, they will "throw out" the cost data and the amounts spent on this increase will never be part of the capitation rate calculation. This is solely up to the State's discretion. Implementing a phased in approach to the minimum wage requirement mitigates this risk.

Because the cost of the County MWO is passed through the MCDFC, the current capitation rate will not be sufficient to pay for the wage increase and to continue to provide the same level of service without accessing the reserves. Therefore, for at least the first year of the County MWO and possibly subsequent years, the MCDFC will likely have to access their reserves. It should be noted that if the MWO is implemented with a phased in approach the MCDFC may be able to decrease reserve withdrawals in subsequent years (i.e., 2015 going forward).

The MCDFC currently has excess reserves of \$21 million, plus required reserves of \$12.1 million. For 2014, the State has recognized the MCDFC excess reserves, and has provided a preliminary capitation rate decrease from 2013 to specifically draw down these reserves. This decrease results in MCDFC budgeting \$4.9 million of excess reserves for its 2014 operations. Any subsequent draw from reserves necessitated from the MWO will be in addition to the \$4.9 million. Therefore, excess reserves will be reduced by at least \$10.1 million by the end of 2015 with implementation of the County MWO, leaving approximately \$10 million in excess reserves. Assuming no other draws on excess reserves and no adjustment to capitation rates, approximately two years of excess reserves would be available to fund



## LEASE AGREEMENTS

**Annualized Impact \$0**

**2014 Impact \$0**

**Annualized Tax Levy Impact \$0**

Parks Lease Agreements - Impact of County MWO							
Lease Type	Location	Contract Expiration Date	Impacted Employees	Contract Value	Total Cost	Revenue Offset	Net Tax Levy
Food/Beverage & Programming	Crystal Ridge	9/29/2027	unknown	\$ 25,000	Unknown	\$ -	Unknown
Food Service	Coast at O'Donnell	1/1/2016	unknown	\$ 56,641	Unknown	\$ -	Unknown
				\$ 81,641	\$ -	\$ -	\$ -

\*Amounts shown as if all contracts were subject to minimum wage ordinance as of January 1, 2014.

For purposes of this fiscal note, leases were reviewed throughout the County with a focus on leases within the Parks Department, where a majority of County leases currently exist. The Parks Department leases land and building space to various entities throughout the Parks system. These entities will be subject to the County MWO if the value of their lease agreement exceeds \$20,000 or more and the entity receives financial assistance from the County. The ordinance does however provide for various exemptions, including:

- Entities that employ 20 or less employees, unless the employer is affiliate or subsidiary of another business dominant in the field of operation;
- Cultural Institutions; and,
- Non-profit entities, unless the entity passes through financial assistance in an amount equal to \$1,000,000 or more to a for-profit entity.

After a review of the leases, it was determined that only two current leases may be subject to the County MWO when the lease is amended or renewed. A final determination would need to be made as to whether these two entities are the recipients of financial assistance because of the nature of their agreements with the County. No determination has been made at this time and no cost associated with these leases has been calculated.



# AIRPORT CONCESSION AGREEMENTS

**Annualized Impact** **\$1,696,700**  
**2014 Impact** **\$0**  
**Annualized Tax Levy Impact** **\$0**

Airport Concession Contracts - Impact of County MWO*							
Concession Type	Location	Contract Expiration Date	Impacted Employees	Contract Value	Total Cost	Revenue Offset	Net Tax Levy
Car Rental	Airport	6/30/2018	150.7	7,288,161.0	925,300.0	(925,300.0)	-
Food Service	Airport	10/31/2019	133.9	3,532,400.0	527,300.0	(527,300.0)	-
Retail	Airport	2/28/2015	45.9	\$ 1,210,000	\$ 244,100	\$ (244,100)	\$ -
				\$ 12,030,561	\$ 1,696,700	\$(1,696,700)	\$ -
	<b>End Date</b>	<b>Full Contract Value</b>	<b>Net Tax Levy</b>	<b>Percentage Impact 2014</b>	<b>2014 Tax Levy</b>		
None		\$ -	\$ -		\$ -		
			\$ -		\$ -		

\*Information based solely on best County estimates; no data provided by vendors

\*Amounts shown as if all contracts were subject to minimum wage ordinance as of January 1, 2014.

General Mitchell International Airport has several concession agreements which upon their renewal will be subject to the terms of the County MWO. The three service categories impacted will be car rental, food service and retail.

For purposes of this report, concessions contracts with a value exceeding \$20,000 were reviewed. Most contracts will be unaffected by the County MWO in the short-term as the Airport has several agreements already in place. Only one contract will be affected for 2014. However, other services could be evaluated throughout the year resulting in new contracts that could be subject to the County MWO. In addition, the parking management contract was reviewed and determined to be a management contract. Based on our interpretation of the County MWO, these contract types are not included and therefore, it has not been included in this fiscal analysis.

Because no data was requested of these vendors, only comparable data was used to calculate the fiscal impact on car rental, food service and retail workers. However, it is worth noting that because these contracts are concessions contracts that typically provide a minimum annual guarantee, it can be assumed that all or some portion of the cost of the wage increase would be absorbed by the County through a reduction in the minimum annual guarantee. The worst case scenario is that vendors stop providing these services in their entirety because it is no longer profitable for them. Because user rates and charges are used to reimburse the Airport for expenditures, any reduction to these revenue sources would result in an increase in user rates and charges. There would be no tax levy impact.

## ECONOMIC DEVELOPMENT

**Total Impact \$34,534,157 assuming no land sales in the future**

The County MWO would apply to developers who are receiving direct financial assistance of over \$1 million from the County, as well as concessionaries, leases and all contractors and subcontractors of the financial assistance recipients. The wage mandate requirement would extend to each of these employers for a period equal to one year for every \$100,000 provided in economic development financial assistance. Additional requirements within the County MWO would also include the provision that any new service providers employ the previous service providers for a period of at least 90 days, unless the new provider can demonstrate cause for discontinuation of employment. Also included is the provision that all economic development financial assistance recipients and their subcontractors submit payroll data every three months.

Estimated Values of Projected Inventory of Surplus Land							
	Acres	Total Fair Market Value	Total Construction Value	Total DBE Construction Value	Total Additional Tax Base	Total Additional Tax Revenue	Jobs Total
Park East	10.11	\$ 12,934,158	\$ 166,126,762	\$ 41,531,688	\$ 166,126,762	\$ 4,983,805	3,955
Downtown Transit Center	2.8	\$ 9,599,999	\$ 160,000,000	\$ 39,999,999	\$ 160,000,000	\$ 4,800,001	3,810
Future Excess	40	\$ 12,000,000	\$ 40,000,000	\$ 10,000,000	\$ 40,000,000	\$ 1,200,000	952
Total:	52.91	\$ 34,534,157	\$ 366,126,761	\$ 91,531,687	\$ 366,126,761	\$ 10,983,806	8,717

Information provided by Department of Administrative Services - Economic Development Division

The County is not a major player in economic development in Milwaukee County. As shown in the table above, the County has approximately 13 acres of land between the Part East and Downtown Transit Center. There could potentially be an additional 40 acres of surplus land in the future. A recent report by the Public Policy Forum “Assembling the Parts: an examination of Milwaukee County’s economic development landscape” issued in November 2011 stated the following:

Given Milwaukee County’s limited economic development tools and budgetary resources, it is of little surprise that its role in City of Milwaukee economic development – outside of efforts to sell and/or develop its own real estate – has been limited. Recent steps taken by county officials to enhance partnerships, develop new business financing tools, and play a more influential role in coordinating countywide economic development policies may change that assessment, but care will need to be taken to ensure that the county’s efforts do not simply duplicate, but rather strategically complement, those conducted by other players. Overall, county government still should be viewed as a relatively minor player in the city’s economic development framework.

There is limited evidence in support of or against wage mandates for economic development, but in this case the County MWO is limited to the County owned property and the few tools that the County has for economic development. In most circumstances, one would look to studies or reports to determine what impacts of the living wage policy would be on economic development. However, only one such study exists which was commissioned in response to the then proposed living wage legislation proposed in New York City (NYC) in 2011. In that study, the effects of the living wage proposal on real estate development projects fell into one of four categories:

- (1) Projects that would be continued to be developed with financial assistance even with living wage coverage;



- (2) Projects that would be developed, albeit with substantial modification, with financial assistance and living wage coverage;
- (3) Projects that would have been developed with financial assistance are developed, but without financial assistance; and
- (4) Projects that would have been developed with financial assistance are abandoned.

The study found that the costs associated with the living wage provision tend to negate the benefits provided by financial assistance. The study deduces then that most projects in NYC would fall into the latter two categories, resulting in development without financial assistance (and hence without increases in wages of low-wage workers) and reduced investment and associated job losses, where financial assistance would otherwise be required.

The NYC law was originally proposed in May 2011. After much discussion, negotiation and change NYC council adopted the resolution in May 2012, overrode a veto of the law in June 2012, and it became law. Recent reports have contended that economic development still continues for NYC, since the law applies to all five Burroughs and NYC provides much of the financial assistance to entities wanting to move into the city. The final resolution placed a limit on the application of the living wage law to the greater of ten years or the term of the financial assistance. In addition, the law would not apply to not-for-profits, fresh food vendors or manufacturing companies. Further, only negotiated sales would cause the “living wage” provisions to apply to the economic development site. Finally, all service contracts that were less than 90 days in length would not have to comply with the minimum wage law.

Similar to the NYC study, the County must look to the cost – benefit analysis of a developer when deciding to invest in County property with or without financial assistance. Within the past couple of years, the County has taken a stronger position on economic development, specifically with the possible development of the Downtown Transit Center and the Park East sites. First, assuming that financial assistance is almost a necessity to guarantee sale of the property, one must look at whether the \$100,000 in assistance is more or less than the additional costs of the minimum wage mandate. In very general terms, it would only take 20 employees within a building making \$10.50 being raised to a \$12.45 to cost \$100,000. Any facility of a large scale development could easily exceed 20 employees below the current living wage. (This amount easily adds up as every business within the building is subject to the County MWO as well as any vendors servicing the building such as cleaners, parking lot attendants, bell persons, landscapers, gardeners, painters, window cleaners, security, etc.) The site must comply with the County MWO for the equivalent of 1 year for every \$100,000 of financial assistance. While a small project could prove feasible, a large project’s cost of compliance with the County MWO would quickly exceed the \$100,000 break-even. Therefore, in most projects, the costs of the minimum wage mandate would likely exceed the benefit of financial assistance and developers will likely choose to develop the property without financial assistance from Milwaukee County or may choose not to develop County property at all. This result is similar to the conclusions of the New York study.

In addition to the wage costs, a cost – benefit analysis must take into account costs associated with stringent regulation and enforcement. The provisions of the County MWO could easily be viewed by developers to be cost prohibitive and prevent investment in County property. Since these regulations would carry through to all the tenants within the development, this would likely limit the developer’s ability to attract tenants. For example:

A large, well-known financial consulting firm agrees to rent space in a newly developed project. This firm is required to pay all of its employees the living wage, not just service providers within the building. This is more inclusive than the County's own policy.

The developer hires a janitorial firm to provide cleaning services. After one year, the contract is rebid and a new provider is selected. The new janitorial firm is required to hire the outgoing provider's employees. Every business within the development would be required to submit payroll data every three months. Businesses will likely to choose to lease from properties where this is not regulated. This will severely limit the developer's ability to attract and retain businesses within the development.

The effects of stringent regulation were analyzed in an older study where the impacts of land use restrictions in the Chicago area that were perceived to be too restrictive by the market were analyzed.<sup>1</sup> In that study, it was found that the benefits of economic development in less regulated districts were 24 percent higher than those in highly regulated districts. In other words, the value of the property in the highly restricted area was 24 percent less than the value in other areas.

The possible risk of wage mandate on economic development lies mainly within the community. Construction losses would result in less dollars being spent in the community and fewer jobs being created during the construction phase. Smaller, lower valued projects would result in smaller tax roll additions. Lack of development would provide no benefit to the community.

With regard to the direct impact on the County's finances, most of the impact is in lost opportunity costs. The County MWO is limited to economic development financial assistance recipients, and it is expected that the ordinance's impact will mostly fall on the mix of projects, partners and terms of the investments, rather than on the County's budget. It is possible, however, that the value of the land being sold is reduced due to the increased regulation. This would result in lost revenue to the County when the land is actually sold. An additional lost opportunity cost is the potential expenditure reductions resulting from selling properties that are costly to maintain. This result is similar to that cited in the NYC fiscal impact, where no direct fiscal impact on revenue or expenditures was anticipated.

This fiscal analysis provides the Office of the Comptroller's best estimate of the cost of a MWO on economic development projects. The actual tax levy impact to the County will not be known until the contracts are bid and accepted in the normal course of the County operations. The fiscal impact would be lost land sale revenue, and the potential loss of economic development assistance to the community.

## **IMPLEMENTATION, ADMINISTRATION AND ENFORCEMENT**

<b>Annualized Impact</b>	<b>\$253,022</b>
<b>2014 Impact</b>	<b>\$253,022</b>
<b>Annualized Tax Levy Impact</b>	<b>\$253,022</b>

The proposed ordinance tasks the Office of the Comptroller – Audit Division with enforcement and coordination of the stakeholder group. The ongoing coordination and enforcement provisions of the

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<sup>1</sup> Schaeffer, Peter and Millerick, Cecily. The Impact of Historic District Designation on Property Values: An Empirical Study, 5 Econ. Dev. Q. 301 (1991), available at <http://edq.sagepub.com/content/5/4/301.short>

ordinance cannot be accomplished with the current staffing levels in the Audit Division. Additional staff will be necessary to monitor compliance, conduct investigations of employee complaints, manage the quarterly reporting process and respond to open records requests. Ideally, the Administration will be charged with ongoing administration ensuring departments have access to and understand the rules established by the stakeholder group. In addition, funds should be allocated to provide ongoing training to County vendors, to produce and maintain training materials, and other services that will need to be provided to a unit that can assist with the ongoing administration. It is also anticipated that staff from Corporation Counsel will be necessary to issue legal opinions, legal research and analysis, legislative drafting and other legal services related to enforcement and general administration.

At a minimum, 3.5 FTE would be needed to support the minimum wage mandate. It is estimated that 1.0 Lead Auditor (Pay Grade 29M), 1.0 FTE Performance Evaluator 1.0 (Pay Grade 18M) and 1.0 FTE Performance Evaluator 3.0 (Pay Grade 25M) should be created and charged with monitoring the County MWO. Additionally, 0.5 Principal Assistant Corporation Counsel (Pay Grade 34Z) would be needed. This results in a cost of \$253,022 for salary, social security, pension and healthcare in 2014.

	<b>FTE</b>	<b>Hours</b>	<b>Salary</b>	<b>Annual</b>	<b>SS</b>	<b>Pension</b>	<b>Health</b>	<b>Total</b>
Lead Auditor	1.0	2080	\$ 26.86	\$ 55,873	\$ 4,274	\$ 6,034	\$ 13,836	\$ 80,018
Performance Evaluator 1	1.0	2080	\$ 18.69	\$ 38,881	\$ 2,974	\$ 4,199	\$ 13,836	\$ 59,890
Performance Evaluator 3	1.0	2080	\$ 23.63	\$ 49,154	\$ 3,760	\$ 5,309	\$ 13,836	\$ 72,059
Principal Asst. Corp Counsel	0.5	1040	\$ 22.10	\$ 22,980	\$ 1,758	\$ 2,482	\$ 13,836	\$ 41,055
				\$ 166,888	\$ 12,767	\$ 18,024	\$ 55,344	\$ 253,022

## Outstanding Questions

The Office of the Comptroller worked closely with departments, Corporation Counsel, County Supervisors and County Board staff to address many of the questions that were material to the findings of this analysis. Although the Office of the Comptroller does not believe that the responses to these questions would significantly impact the results of the current analysis, we do believe that the responses to these questions would have associated costs that have not been addressed in this analysis.

1. With respect to “Leases” defined on Line 113, there is no clear definition of what constitutes financial assistance. For example, would a lessee that pays \$1 less per square foot than market value be subject to the terms of the County MWO? Further, the proposed ordinance makes no provision for investments provided by tenants in County-owned property. For example, if a tenant agrees to provide \$100,000 in capital investments in the property for reduced rent, would the lessee still be subject to the terms of the proposed ordinance?
2. If the developer was offered an industrial development revenue bond that provides tax exempt interest rates, would the savings difference between tax exempt debt and taxable debt be considered financial assistance for purposes of this definition? How would the length of coverage under the County MWO be determined in this circumstance? Would it be based on the total bond amount, or on the difference between the tax exempt and taxable interest rates? Would the analysis be based on a net present value formula or on total cash flow?
3. Would a guarantee of a loan count as financial assistance for purposes of this paragraph? How would the length of coverage under the County MWO be determined in this circumstance?
4. With respect to “Successor contractors or subcontractors” as defined on Line 348, would this provision apply to all tenants of a project developed with economic assistance from the County? For example, would a tenant that contracts for its own janitorial service be required to impose on a new contractor that the new contractor must employ all the previous contractor’s employees?
5. This analysis assumes that for a project developed with financial assistance, all businesses within the development are required to pay the minimum wage (with the exception of a project developed by a non-profit or municipality). However, it was not clear if a private developer builds an office building with financial assistance and rents to non-profit or municipality, whether that non-profit or municipality is subject to the proposed ordinance.

**Appendix A**  
**Summary of Contract Types and County Minimum Wage Ordinance Applicability**

Note that this list is representative of the types of contracts the County enters into; it is not exhaustive and does not address whether providers of the following services will be exempt from the County MWO under the exemptions provided within the ordinance.

<b>Contract Type</b>	<b>Group</b>	<b>Yes</b>	<b>No</b>
Commodities w/a Service Component	Commodities		X
Ala Carte Vendors – Zoo	Concessions	X	
Boerner Botanical Gardens - Food/Beverage	Concessions	X	
Bradford Beach Food/Beverage and Programming	Concessions	X	
Camel Rides – Zoo	Concessions	X	
Car Rental Services (Airport)	Concessions	X	
Caters – Zoo	Concessions	X	
Estabrook Food/Beverage	Concessions	X	
Face Painters – Zoo	Concessions	X	
Food Services (Airport)	Concessions	X	
Kites Concessions (Parks)	Concessions	X	
Lake Park Food/Beverage	Concessions	X	
McKinley Marina Food	Concessions	X	
Miller Room at O'Donnell	Concessions	X	
Mitchell Park Domes Food/Beverage	Concessions	X	
Mold-a-Rama	Concessions	X	
News/Gift/Retail	Concessions	X	
Northpoint Concessions (Parks)	Concessions	X	
Other Concessions over \$20,000 (Parks)	Concessions	X	
Other Concessions under \$20,000 (Parks)	Concessions		X
Paddleboats	Concessions	X	
Pony Rides	Concessions	X	
Retail Services (Airport)	Concessions	X	
SkyRider	Concessions	X	
Veterans Park Rental/Food/Retail	Concessions	X	
Zip Line	Concessions	X	
Economic Development with Financial Assistance more than \$1,000,000	Economic Development	X	
Economic Development with no Financial Assistance	Economic Development		X
Fee-for-Service (MCO)	Family Care		X
Other MCO Services	Family Care		X
Personal Care, Home Healthcare and Supportive Home Care - MCO All Providers	Family Care		X
Personal Care, Home Healthcare and Supportive Home Care - MCO Preferred Providers	Family Care	X	
Agreements with Governmental Entities	General		X
Agreements with Non-Profits	General		X
Art Museum	Lease/Management		X
Charles Allis/Villa Terrace	Lease/Management		X
Milwaukee Public Museum	Lease/Management		X
PAC	Lease/Management		X
War Memorial	Lease/Management		X
Coast at O'Donnell	Leases	X	
Crystal Ridge Operator	Leases	X	
Equipment Lease & Maintenance	Leases		X
Leases over \$20,000 with financial assistance	Leases	X	
Leases over \$20,000 with no financial assistance	Leases		X

<b>Contract Type</b>	<b>Group</b>	<b>Yes</b>	<b>No</b>
Leases under \$20,000	Leases		X
Airport Parking Operator	Management Contracts		X
CAMPAC	Management Contracts		X
Historical Society	Management Contracts		X
Parking Management Contracts (GMIA, Facilities)	Management Contracts		X
Transit Management Contract	Management Contracts		X
Zoological Society	Management Contracts		X
Current County Employees	Personnel		X
Alternatives to Incarceration	Professional Services		X
Bird Show	Professional Services		X
Booking & Engagement – Zoo	Professional Services		X
Child Support - Children’s First other Grant Services	Professional Services		X
DNA Testing	Professional Services		X
Legal Services	Professional Services		X
Library Services	Professional Services		X
Medical	Professional Services		X
Professional Services	Professional Services		X
Seal/Sea Lion Show	Professional Services		X
Stingray Exhibit	Professional Services		X
Technical Services	Professional Services		X
Ch. 46 Contracts – Aging	Purchase of Service Contracts		X
Ch. 46 Contracts – BHD	Purchase of Service Contracts		X
Ch. 46 Contracts – DHHS	Purchase of Service Contracts		X
Ch. 46 Community Living Arrangements	Purchase of Service Contracts		X
Ch. 46 Contracts to Operate Senior Centers	Purchase of Service Contracts		X
Ch. 46 Fee-for-Service (DHHS/BHD)	Purchase of Service Contracts		X
Ch. 46 Fee-for-Service (Other)	Purchase of Service Contracts		X
Ch. 46 Home Healthcare (DHHS/BHD)	Purchase of Service Contracts		X
Ch. 46 Personal Care (DHHS/BHD)	Purchase of Service Contracts		X
Ch. 46 Supportive Home Care (DHHS/BHD)	Purchase of Service Contracts		X
Ch. 46 Transportation (Aging)	Purchase of Service Contracts		X
Ala Carte Personnel	Service Contracts	X	
Asphalt Paving	Service Contracts	X	
Automotive Services	Service Contracts	X	
Carpet Cleaning Maintenance	Service Contracts	X	
Collection Services	Service Contracts		
Contracts subject to Milwaukee County’s Existing Prevailing Wage Requirement	Service Contracts		X
Drug Testing	Service Contracts		X
Filing Services	Service Contracts	X	
Fire Equipment Services	Service Contracts	X	
Food Services (DHHS/BHD/HOC/Sheriff)	Service Contracts	X	
Housekeeping/Janitorial	Service Contracts	X	
Installation of Cabling	Service Contracts		X
Installation of TimeWarner	Service Contracts		X
Interpreter Services	Service Contracts	X	
Janitorial	Service Contracts	X	
Landscaping	Service Contracts	X	
Landscaping Services	Service Contracts	X	
Laundry Services	Service Contracts	X	
Mail Services	Service Contracts	X	

<b>Contract Type</b>	<b>Group</b>	<b>Yes</b>	<b>No</b>
Messenger Pickup/Delivery Services	Service Contracts	X	
Painting	Service Contracts	X	
Printing Services	Service Contracts	X	
Process Services	Service Contracts	X	
Recycling/Waste Services	Service Contracts	X	
Reporting and Indexing Services	Service Contracts	X	
Reproduction Services	Service Contracts	X	
Roofing	Service Contracts	X	
Security	Service Contracts	X	
Shredding Services	Service Contracts	X	
Storage Services	Service Contracts	X	
Temporary Help	Service Contracts	X	
Tent Rental Services – Zoo	Service Contracts	X	
Testing Services	Service Contracts	X	
Time & Materials	Service Contracts		X
Tire Services	Service Contracts	X	
Towing Services	Service Contracts	X	
Transcription Services	Service Contracts	X	
Transportation (Sheriff)	Service Contracts	X	

**Appendix B**  
**Information on Other Minimum Wage Ordinances in Other Municipalities**

Municipality	Rate	Rate if Health Care Not Offered
Milwaukee County PROPOSED	\$12.45	
Dane County	\$11.33	
City of Madison	\$12.45	
City of Milwaukee	\$9.39	
Cook County	\$11.32	\$14.15
City of Chicago	\$11.53	
City of St. Paul	\$12.45	\$14.72
City of Minneapolis	\$12.45	\$14.72
City of Cincinnati	\$11.32	\$12.82



<b>Municipality Ord. Ref/Date eff.</b>	<b>Dane County</b>	<b>City of Madison</b>	<b>City of Milwaukee</b>	<b>Milwaukee County PROPOSED</b>
<b>Type of Contracts</b>	Section 25.015 1/1/99 Dane County Employees <b>Service Contracts</b> over \$5,000 <ul style="list-style-type: none"> <li>• General Labor, clerical work, janitorial, security, food services, human services, personal care, home care work</li> <li>• Contractors (Subcontractors)</li> <li>• Includes small business and nonprofits</li> </ul>	Section 4.20 1/1/00 City of Madison Employees <b>Service Contracts</b> over \$5,000 Contracts in which City Financial Assistance was provided for agreement exceeding \$100,000	Chapter 310 – Department of Administration 12/31/95 <b>Service contracts</b> over \$5,000 designated by the Central Board of Purchases. Covers part time and temporary employees	<b>Service Contracts</b> over \$20,000 <b>Concession and revenue generating agreements</b> over \$20,000. <b>Leases</b> with financial assistance. <b>Financial Assistance</b> over \$1,000,000. <b>Family Care Contracts</b> with preferred providers that exclusively contract with Milwaukee County for the provision of personal care and supportive home care. <b>Milwaukee County employees.</b> All other types of contracts i.e. professional services and public works. Non-profits; cultural institutions; businesses with 20 employees or less; other governmental entities. Contracts with State or Fed prevailing wage requirement Interns, student learners, job trainees, workshop employees, volunteers receiving stipends, and employees under age 18 Department of Audit
<b>Exclusions</b>	Some nonprofits. All other types of contracts. Seasonal, Temporary, tipped, interns	All other types of contracts i.e. professional services and public works. Seasonal, Temporary, tipped, interns, workshop employees	All other types of contracts i.e. professional services and public works.	
<b>Enforcement Agent</b>	Contract Compliance Office in Purchasing Dept.	Department of Equal Opportunity and Diversity	Department of Public Works and DOA Administration Procurement Division	
<b>Method of Enf.</b>	Payroll records must be made available upon request	Investigate complaints	Sworn report or affidavit with wages and benefits per person	Payroll records must be made available upon request
<b>Waivers</b>	Yes by County Board	Allowed if no bids received	Not identified	Yes by County Board
<b>Sanctions</b>	<ul style="list-style-type: none"> <li>• Payment withholding</li> <li>• Suspension</li> <li>• Termination</li> <li>• Debarring for 3 years</li> </ul>	<ul style="list-style-type: none"> <li>• \$200 fine</li> <li>• Payment withholding</li> <li>• Suspension</li> <li>• Termination</li> <li>• Debarring</li> </ul>	<ul style="list-style-type: none"> <li>• Payment withholding</li> <li>• Suspension</li> <li>• Termination</li> <li>• Debarring for 3 years</li> </ul>	<ul style="list-style-type: none"> <li>• Payment withholding</li> <li>• Termination</li> <li>• Debarring for 3 years</li> <li>• Permanent Debarment</li> </ul>
<b>Formula/Rate</b>	100% of US Department of Health and Human Services (DHHS) poverty level wages for a family of 4/2080 hours <b>2013 = \$11.33</b>	110% of DHHS poverty level wages for a family of 4/2080 hours <b>2013 = \$12.45</b>	100% of DHHS poverty level for a family of 3/2080 hours <b>2013 = \$9.39</b>	110% of US DHHS poverty level wages for a family of 4/2080 hours <b>2013 = \$12.45</b>

<b>Municipality</b>	<b>Cook County</b>	<b>City of Chicago</b>	<b>City of Cincinnati</b>
<b>Ord. Ref/Date eff.</b>	Sec 34-160 9/7/11	2-92-610 Amend 11/6/02	Section 317 12/26/02
<b>Type of Contracts</b>	<b>Service or labor contracts</b> with use of full time employees	<b>Service contracts</b> with use of 2.5 or more full time security guards, parking attendants, day laborers, home & health care workers, cashiers, elevator operators, custodial workers & clerical workers	<b>Service contracts</b> over \$20,000  Full Time Employees
<b>Exclusions</b>	Not-for-profit organizations or contracts funded by Fed grants or loans.	Not-for-profit organizations	<ul style="list-style-type: none"> <li>• Contracts funded by Fed grants or loans</li> <li>• Charitable or social service agencies</li> <li>• Employee who is a trainee in job training</li> <li>• Employee under 21</li> <li>• Employed by nonprofit corporation for after school or summer employment</li> </ul>
<b>Enforcement Agent</b>	Chief Procurement Officer	Chief Procurement Officer	City Manager - Office of Contract Compliance
<b>Method of Enforcement</b>	Investigate complaints	Investigate complaints	Investigate complaints
<b>Waivers</b>	Not specified	Not specified	Council may waive
<b>Sanctions</b>	<ul style="list-style-type: none"> <li>• Fines</li> <li>• Payment of back pay to employees</li> </ul>	<ul style="list-style-type: none"> <li>• Termination</li> <li>• Debarring</li> </ul>	<ul style="list-style-type: none"> <li>• Termination</li> <li>• Suspension</li> <li>• Payback of any or all of the contract</li> <li>• Debarring until all penalties and restitution paid in full</li> </ul>
<b>Formula/Rate</b>	125% of US DHHS poverty level for a family of 4 if employer does not offer benefits.  <b>2013 = \$14.15</b>  100% of US DHHS poverty level for a family of 4 if employer does offer benefits.  <b>2013 = \$11.32</b>	100% of US DHHS poverty level for a family of 4/2000  <b>2012 = \$11.53</b>	100% of US DHHS poverty level for a family of 4 if employer does not offer benefits plus \$.50/hour.  <b>2013 = \$12.82</b>  100% of US DHHS poverty level for a family of 4 if employer does offer benefits.  <b>2013 = \$11.32</b>

Municipality	City of St. Paul	City of Minneapolis
<b>Ord. Ref/Date eff.</b>	98.04 2/27/2007	Chapter 38 11/4/05
<b>Type of Contracts</b>	Any city <b>contract or subcontract</b> and any city business subsidy with a value of \$100,000 or more	<b>Service contracts</b> and investment in private development projects with a value of \$100,000 or more
<b>Exclusions</b>	<p>Entities:</p> <ul style="list-style-type: none"> <li>• Small Business</li> <li>• Not-for-profit</li> <li>• Job readiness and training service contract</li> <li>• When in conflict with state or federal law or program requirement</li> <li>• Any contract with employees covered by collective bargaining but only for employees covered by the collective bargaining</li> <li>• Pass through agency for grants</li> </ul> <p>Employees:</p> <ul style="list-style-type: none"> <li>• Internships</li> <li>• Job readiness or training participants</li> <li>• Seasonal, part-time or temporary</li> </ul>	<ul style="list-style-type: none"> <li>• Small Business</li> <li>• Not-for-profit</li> <li>• Contract that provide health care benefits to city staff or wellness or fitness related service to city staff</li> <li>• Contracts involving city depository and financial service institutions</li> <li>• Job readiness and training service contract</li> <li>• When in conflict with state or federal law or program requirement</li> <li>• Any contract with employees covered by collective bargaining</li> <li>• City business subsidy recipient where the purpose is housing</li> <li>• Business subsidies for remediation of property pollution control or abatement</li> <li>• Projects where investment was made at fair market value</li> <li>• Contracts with a max of 10 % temp or seasonal employees</li> <li>• Internships</li> <li>• Seasonal, part-time or temporary employees</li> <li>• Conduit bonds and 501 (c) bonds</li> </ul>
<b>Enforcement Agent</b>	Department of Planning & Economic Development	Department of Comm. Planning & Economic Development
<b>Method of Enf.</b>	Investigate complaints	Upon request, submit copy of payroll records
<b>Waivers</b>	Yes by City council or HRA board	Yes with majority vote of City Council
<b>Sanctions</b>	<ul style="list-style-type: none"> <li>• Repayment of entire value of contract if compliance less than 50%</li> <li>• Repayment of ½ the value if compliance between 50 – 80%</li> <li>• Proportionate repayment if compliance is between 80-100%</li> <li>• Debarring for next contract cycle or calendar year</li> </ul>	<p>Contracts</p> <ul style="list-style-type: none"> <li>• Damages at 20% of the value of the contract</li> <li>• Debarring for next contract cycle or calendar year</li> </ul> <p>Business Subsidy</p> <ul style="list-style-type: none"> <li>• Damages at 4 times the values of the subsidy at the proportionate rate of job creation</li> <li>• Debarring for next calendar year</li> </ul>
<b>Formula/Rate</b>	<p>130% of US DHHS poverty level for a family of 4 if employer does not offer benefits.</p> <p style="text-align: center;"><b>2013 = \$14.72</b></p> <p>110% of US DHHS poverty level for a family of 4 if employer does offer benefits.</p> <p style="text-align: center;"><b>2013 = \$12.45</b></p>	<p>130% of US DHHS poverty level for a family of 4 if employer does not offer benefits.</p> <p style="text-align: center;"><b>2013 = \$14.72</b></p> <p>110% of US DHHS poverty level for a family of 4 if employer does offer benefits.</p> <p style="text-align: center;"><b>2013 = \$12.45</b></p>