

## **Finance Committee**

### **Living Wage**

- **You heard from Teig last cycle regarding our concerns related to the impact on Economic Development so I am not going to address those concerns this morning.**
- **My focus this morning is two-fold: the cost of this ordinance and the practical operational aspects of implementation.**

### **Cost**

- **I think our Comptroller adequately addressed the nearly \$9 million cost annually that we will have to find a way to cover.**
- **First, as comprehensive of a job the Comptroller's office did in estimated the \$9 million a year cost, you can bet this is only the beginning. Projections, especially at the County are usually much lower than the actual costs. We don't know what we don't know relative to the consequences of this mandate so you should anticipate this will only be grow beyond the \$9 Million annual cost.**
- **I recognize that a portion of this \$9 million may be absorbed through the Family Care reserve. But think about it...taking down the reserve to cover these incremental costs sounds a lot like what happened at the Milwaukee Public Museum a few years ago...that is not a sustainability strategy.**
- **We also question whether this is the right time for us to layer on these additional costs – at a time where we are still projecting annual deficits exceeding nearly \$80 million a year.**
- **Perhaps if we were in a healthier position we consider this bold initiative; but the fact is that we remain in a fiscal crisis and to layer on an additional \$9 million annual deficit would be incomprehensible.**

## Operational Side

- My divisions have to figure out how to implement this ordinance. The fact is that it is much more than a living wage ordinance...and much more complicated to execute.
- For instance, annual renewals for current contracts appear to apply – but we're not sure. We think maybe – but the ordinance is vague, current vendors would be required to abide by the living wage upon renewal while the value of the contract remains the same. They have two options: terminate the contract or to try to absorb the additional cost. Given the fact that most of these contractors are people intensive, there is little ability to absorb the additional cost and they will be forced not to renew. Perhaps this is the intent of the ordinance, but from a practical perspective there is likely to be a significant Bid/RFP effort underway.
- We fear the workload ahead of the County and our vendors relative to the reporting and audit requirements. In all due respect to our Auditor's projection, what the ordinance requires relative to onerous and bureaucratic reporting by the vendors – may discourage more good contractors from working with the County; for sure this ordinance layers on considerable effort on our part of not only tracking, monitoring and compliance. We aren't even sure how we would enforce compliance. We barely have the ability to track and enforce residency and DBE requirements today. Adding this complex layer will make it extremely challenging for us and potential companies wanting to do business with the County.
- A major concern we have is related to the disparity in a vendor's standing. The living wage exemption for union shops feels a little counter-intuitive – unions not having to pay employees a living

wage. Since the union shops will not have to comply, while non-union shops will, there will be a huge disparity in the bidding process. We wonder what the consequence of this will be in the bidding process, the complexity of the appeal process and the potential for legal action.

- Another major concern on how the ordinance will create a disparity between bidders is between the incumbent and a potential proposer. The ordinance mandates that the new firm hire the employees of the old firm for at least 90 days. Why would a firm bid on this business knowing they are required to hire staff they know nothing about? How would they bake this into the cost of the contract? The incumbent firm would have a huge competitive advantage during the bidding process. Requiring a new firm to hire an old firm's staff expands this ordinance well beyond a living wage ordinance...and it would be quite a challenge for the County to ensure compliance.
- We also are confused by the \$20,000 contract exemption. Is this the total amount for the full term of the contract, including renewals? Or is it the annual amount? If it's an annual amount, what happens if one year is \$19,000 and subsequent years are \$22,000?
- Regarding the \$20,000 exemption, we also wonder whether this is in conflict with the fact that the board cannot make policy for contracting under \$100,000. We have not received a definitive answer from Corp Counsel on this.
- Finally, we are very concerned about the creativity and innovation of County staff to get around this ordinance through the Professional Services Contract exemption. This is a huge loop hole you can bet Departments will leverage.

- **Finally, this leads me to my final comment. Again, we already have major challenging trying to execute contradictory, conflicting and poorly written ordinances. We are in the process of cleaning these up so we can remain legal and compliant. Adding an additional layer of complexity is not only costing us an additional \$9 million a year, it's going to be all but impossible to fold into an already convoluted set of ordinances that we are challenged to be in compliance.**

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