

**COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION**

DATE : October 6, 2016
TO : Chairman Theodore Lipscomb, Sr.
FROM : Scott B. Manske, Comptroller
RE : Request to Amend Chapter 111 – Minimum Wage Ordinance

Proposed Amendment

The County passed a Minimum Wage Ordinance (MWO), which became effective May 28, 2014 with the publication of the Auditor’s implementation memo. A new amendment has been proposed to further modify the MWO. This amendment would change the MWO as follows:

- Generates a pay scale that changes the minimum wage on annual basis so that by 2022 the minimum wage would be \$15.00 per hour. Each year thereafter, the minimum wage would grow by CPI.

Since this will impact every contract that is affected by the MWO, this amendment will have a fiscal impact throughout the County. However, since the MWO currently exists, the cost of this amendment is only the incremental cost between the projected minimum wage under the current ordinance and the set minimum wage under the proposed ordinance.

Fiscal Impact of the Proposed Amendment

The proposed amendment accelerates the rate at which an employee affected by the MWO will move to a \$15/hour salary. Under current ordinance, employers are required to pay affected employees based on 100 percent of the poverty income level set forth annual by the U.S. Department of Health and Human Service for a family of four, divided by 2,080 hours, which for 2016 is \$11.68. Under the proposed ordinance, employers will be required to pay based on the pay scale below.

Year	Projected Minimum Wage (current)	Proposed Minimum Wage	Change
2017	\$ 11.93	12.25	0.32
2018	12.19	13.00	0.81
2019	12.45	13.50	1.05
2020	12.72	14.00	1.28
2021	12.99	14.50	1.51
2022	13.27	15.00	1.73

The same contracts were reviewed as when the MWO was first implemented, with any notable changes being made to effective dates. Several agreements were reviewed previously that are now under a contract with an expiration date beyond the implementation period, so they were removed from the estimate. Based on the contracts remaining, if the new scale were approved, the County will spend approximately \$4.8 million on additional contractual costs and County employee wages over the implementation period. This amount would be offset by \$3.4 million in additional revenue, for an additional tax levy requirement of \$1.4 million. The chart on the following page shows the contract types affected and the anticipated revenue offset.

Type	Avg Wage Rate (1/1/2017)	Avg Wage Rate (1/1/2018)	Avg Wage Rate (1/1/2019)	Avg Wage Rate (1/1/2020)	Avg Wage Rate (1/1/2021)	Avg Wage Rate (1/1/2021)	TOTALS
Forecasted Minimum Wage	\$ 11.93	\$ 12.19	\$ 12.45	\$ 12.72	\$ 12.99	13.27	
Set to \$15 Minimum Wage	\$ 12.25	\$ 13.00	\$ 13.50	\$ 140.00	\$ 14.50	\$ 15.00	
Services Summary	\$ 53,252	\$ 147,846	\$ 230,718	\$ 312,970	\$ 393,722	\$ 471,065	\$ 1,609,573
Revenue Summary	\$ 12,627	\$ 34,936	\$ 48,160	\$ 61,147	\$ 73,893	\$ 86,246	\$ 317,009
Parks Concession Summary	\$ -	\$ 1,224	\$ 5,296	\$ 8,902	\$ 15,753	\$ 22,706	\$ 53,881
Revenue Summary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Zoo Concession Summary	\$ 14	\$ 833	\$ 2,064	\$ 3,758	\$ 9,009	\$ 14,561	\$ 30,239
Revenue Summary	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Airport Concession Summary	\$ -	\$ -	\$ 268,396	\$ 753,311	\$ 888,671	\$ 1,018,146	\$ 2,928,524
Revenue Summary	\$ -	\$ -	\$ 268,396	\$ 753,311	\$ 888,671	\$ 1,018,146	\$ 2,928,524
County Employee Summary	\$ 4,659	\$ 12,182	\$ 18,923	\$ 33,002	\$ 50,287	\$ 81,359	\$ 200,413
Revenue Summary	\$ 4,659	\$ 12,182	\$ 17,301	\$ 26,516	\$ 35,847	\$ 45,613	\$ 142,118
TOTAL EXPENDITURE	\$ 57,925	\$ 162,085	\$ 525,397	\$ 1,111,943	\$ 1,356,442	\$ 1,607,837	\$ 4,821,630
TOTAL REVENUE	\$ 17,286	\$ 47,118	\$ 333,857	\$ 840,974	\$ 998,411	\$ 1,150,005	\$ 3,387,651
TAX LEVY	\$ 40,639	\$ 114,967	\$ 191,540	\$ 270,969	\$ 358,031	\$ 457,832	\$ 1,433,979

As shown above, the largest expenditure increase will be at the Airport. 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.

These estimates are based on the best information available at the time of this estimate. It does not include every contract that may be impacted by this ordinance, but does include those which likely have the largest impact.



Scott B. Manske
Comptroller