



Milwaukee County

Office of the Comptroller

Audit Services Division

Jennifer Folliard, Director of Audits

Date: May 15, 2019
To: Supervisor Theodore Lipscomb, Sr., Chairman, Milwaukee County Board
From: Jennifer Folliard, Director of Audits
Subject: Status Report - Minimum Wage Ordinance Memo (File No. 18-50)

Background

In March 2014, the Milwaukee County Board of Supervisors created Chapter 111 of the Milwaukee County Code of Ordinances which established a Minimum Wage Ordinance (MWO). Chapter 111 applied to both County employees and certain contractors doing business with Milwaukee County. Chapter 111 provided the framework for County departments to follow when contracting for services covered by the MWO and for subsequent contract monitoring.

Our office issued a memo that was provided to the Committee on Finance and Audit in December of 2017 which was a three year review of the Minimum Wage program. The associated resolution indicating concurrence with the report recommendations was adopted by the Committee on Finance and Audit at its meeting in January 2018.

Subsequent to the adoption of the resolution, on April 17, 2018, 2017 Wisconsin Act 327, based upon Assembly Bill 748 was signed and became effective after publication on April 18, 2018. It repealed Wis. Stat. 104.001(3), which permitted a local government (county, city, village or town) to enact and enforce ordinances mandating a minimum wage for its own employees and employees performing work under a contract for provision of services or funded by financial assistance from the local governmental entity. Act 327 prohibits Milwaukee County from entering into any new contracts requiring compliance with the minimum wage. It does not negate existing contracts with that requirement. As a result, we will continue to report on MWO compliance for existing contracts subject to the MWO provision. This report covers the last two quarters of 2018; future reporting will occur annually.

Existing compliance with Chapter 111 from July to December of 2018

While the new state legislation effectively ends any new contracts to require compliance with Chapter 111, we have continued to require submittal of payroll information to our office for those County contracts which contained a minimum wage requirement prior to the passage of the new state legislation.

There are currently 16 contracts that require payroll submittal for 633 employees. Audit Services received payroll data for 15 contracts for both quarters. One vendor submitted 3rd quarter data only. The table below lists the contracts.

Active MWO contracts with Type of Service and Average number of Total Employees per month				
Vendor	Department	Type of Service	Employees	End Date
Personnel Specialists	Countywide	Temporary Help	71	7/18
ABM Industry Groups	DAS	Housekeeping	46	2018
H.S.S. Inc.	Airport	Security	23	2018
WCS	Pre Trial Services	Purchase of Service	11	2018
Mid America MCTS	MCTS	Housekeeping	10	2/19
Allied Barton - Coggs	DAS	Security	11	2019
Justice Point	Pre-Trial Services	Purchase of Service	59	2019
Aramark	HOC	Food Services	19	2019
Zimmerman	MCTS	Printing Services	14	11/19
WCS – Day Reporting Center	HOC	Purchase of Service	11	2020
Allied Barton - MCTS	MCTS	Security	37	10/20
G4S	Sheriff	Secure Transportation	31	2021
Interflight Parking	Airport	Concession - GMIA parking	80	2023
First Transit	MCTS	Paratransit Transportation	77	10/23
Transit Express	MCTS	Paratransit Transportation	130	10/23
Service Systems Associates	Zoo	Concession	6	2032
TOTAL			636	

Calculation of the Minimum Wage Ordinance Rates

In 2014 the Minimum Wage Ordinance designated the minimum wage for Milwaukee County as equal to 100% of the national poverty income level for a family of four as established annually by the

U.S. Department of Health and Human Services. The Milwaukee County Minimum Wage hourly rate is determined by dividing the annual income by 2,080. This rate is currently in effect for any contract executed prior to November 3, 2016.

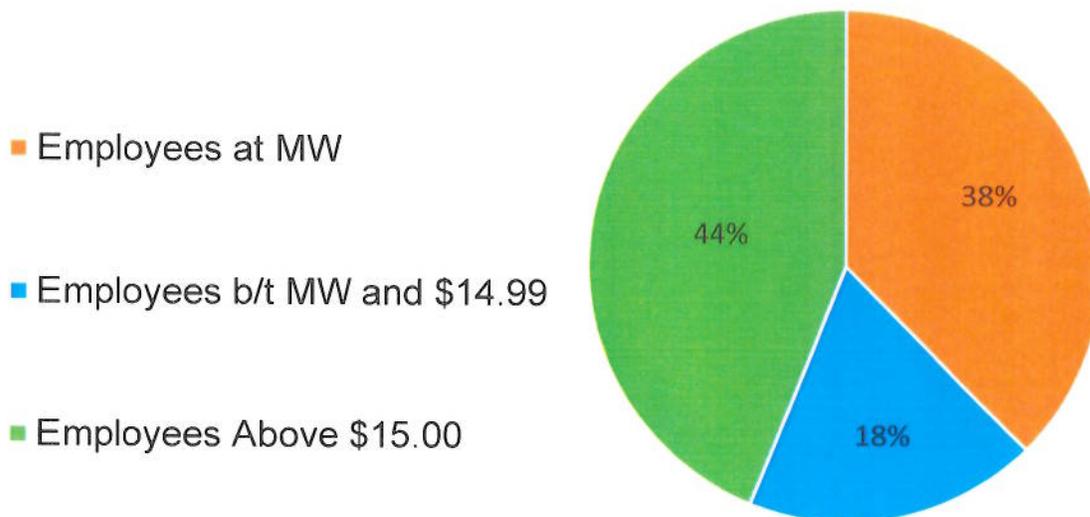
County Board File No. 16-609 approved on November 3, 2016 made two modifications to the Minimum Wage Ordinance. First was the alteration of the effective date for concession contracts at the Airport from January 1, 2017 to November 3, 2016. In addition the Ordinance changed the methodology for the calculation of the Milwaukee County Minimum Wage to fixed rates established per year until January 31, 2022 for any new contracts. Effective January 31, 2022, and every January 31 thereafter, the rate shall be determined by the Department of Administrative Services, increased to reflect the rate of inflation for the previous calendar year, as calculated to the nearest cent, provided that in no case shall the wage be set at a level below the wage for the previous year. However, given the legislative changes, rates for existing contracts are frozen at the amount as of April 2018.

Minimum Wage Rates for Milwaukee County Contracts Before and After November 3, 2016				
	MW rates for contract executed BEFORE November 3, 2016		MW rates for contract executed ON or AFTER November 3, 2016	
Year	Effective Date	Hourly Rate	Effective Date	Hourly Rate
2014	6/1/2014	\$11.47	N/A	N/A
2015	3/1/2015	\$11.66	N/A	N/A
2016	3/1/2016	\$11.68	11/3/2016	\$11.68
2017	3/1/2017	\$11.82	1/1/2017	\$12.35
2018	3/1/2018	\$12.07	1/1/2018	\$13.01
2019	3/1/2019	\$12.38	1/1/2019	\$13.67
2020	3/1/2020	Unknown	1/1/2020	\$14.34
2021	3/1/2021	Unknown	1/1/2021	\$15.00

Source: Hourly rates were calculated by dividing the national poverty income level for a family of four by 2,080 hours. The U.S. Department of Human Services establishes the national poverty income levels annually. Hourly rates under current legislation per County Ordinances. Calculations by Audit Services Division. Amounts are frozen as of April 2018 based upon State legislation.

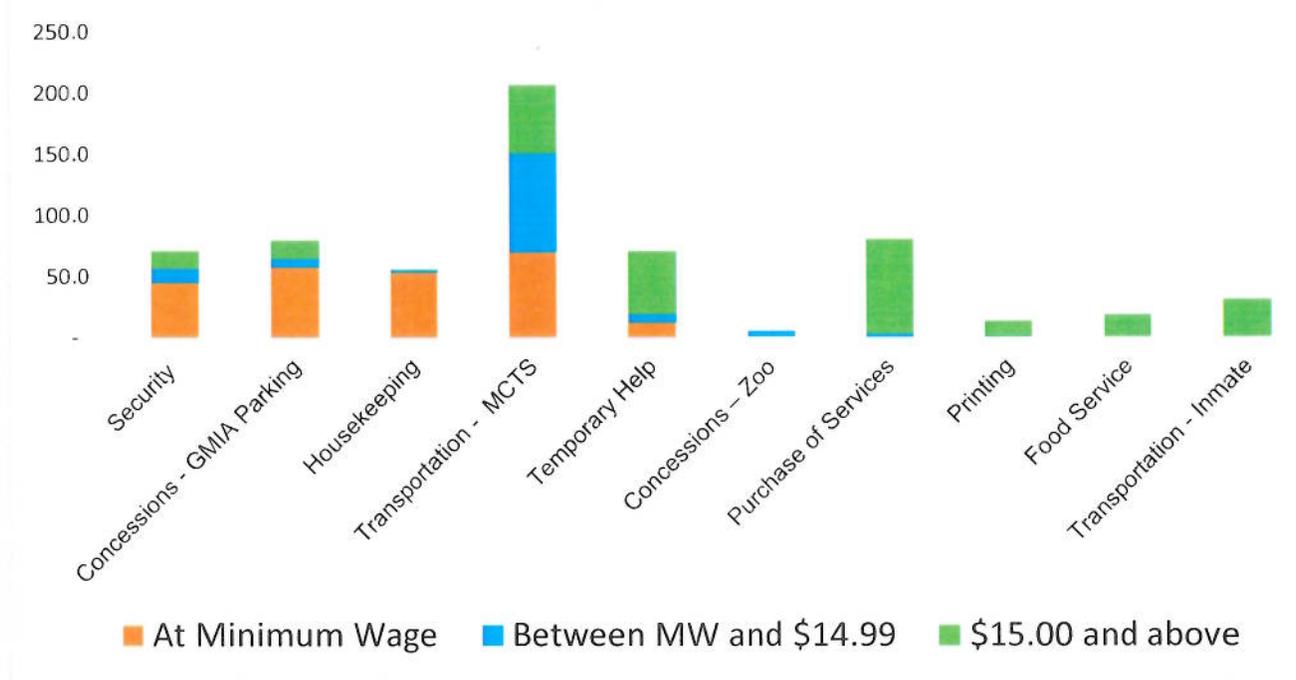
We reviewed the payroll data for employees over a six month period and found that the majority of staff, or 62 percent, earned above the required minimum wage while 38 percent earned the minimum wage. We also display in a separate category those employees earning \$15.00 or more per hour as that is the maximum minimum wage set by County Board to be in effect as of January 1, 2021.

Our review of payroll data found that 38% of employees are paid the required Minimum Wage while 62% are paid above the Minimum Wage.



We also examined the payroll data by service area to show any trends in payroll. The following table depicts the split of employee wages by: below minimum wage, at minimum wage, between minimum wage and \$15.00 and wages in excess of \$15.00. The areas with the most employees at or below the minimum wage were paratransit services, housekeeping, parking services at the airport and security at the airport.

Distribution of Wage Rates by Service Area



Cost Calculation

At the October 2018 meeting of the Committee on Economic Development, we were asked to conduct an analysis to determine the fiscal impact on Milwaukee County of the minimum wage ordinance. We attempted to determine the cost for 2018 of any increase to employees' wages due to the Minimum Wage Ordinance. While employers were required to submit payroll information on current employees and wages, there was not a requirement to submit what the contractor would have paid employees if compliance with the minimum wage ordinance was not required. This results in a difficulty in determining the impact of the minimum wage.

Where available we compared prior wage rates to the current minimum wage requirement adjusting prior wages with an increase equal to the Consumer Price Index when applicable. If that data was unavailable we compared prior contracts to current contractual amounts to determine an impact, if any. We detail below by contract what amounts we were able to calculate. It must be noted that in some cases we were not able to isolate the change in wages for employees. We limited our review to contracts that had employees at the minimum wage based on the reasoning that if employees are paid higher than required minimum wage market factors are more likely the driving force versus the

minimum wage ordinance. Our calculation did not account for other impacts from the implementation of the minimum wage ordinance and is merely an attempt to capture the increase in wages earned.

- ABM – This contract was for housekeeping services and for the third and fourth quarter of 2018 included a total of 43 employees earning at the minimum wage. Contract was rebid for 2019. According to Director of Procurement, ABM will pay its employees at the local union scale which is greater than the \$13.01 required by the Milwaukee County minimum wage. In addition, new contract language limited the increase in the contract to 1% over the costs of 2018. **Total wage impact in 2018 = \$0.**
- Interflight – This contract is for parking services at the Airport and for the third and fourth quarter of 2018 had 58 employees earning at the minimum wage. For the staff earning minimum wage, the average wage rate prior to following minimum wage was \$9.52 per hour with a different vendor. With minimum wage it is \$12.43 for a potential financial impact of \$350,000 annually. **Total wage impact in 2018 = \$350,000.** There is no tax levy impact to this number as the costs of the Airport are fully offset.
- H.S.S., Inc. – This contract is for security at the Airport and for the third and fourth quarter of 2018 had 16 employees earning at the minimum wage. A new contract was entered into in early 2019. According to information from GMIA and H.S.S. they continue to pay the minimum wage of \$12.07 that was effective in March of 2018 under the new contract to security officers. **Total wage impact in 2018 = \$0.** There is no tax levy impact to this number as the costs of the Airport are fully offset.
- SSA – This contract is for concession services at the Zoo and for the third and fourth quarter of 2018 had one employee earning at the minimum wage. The number of employees is too small to calculate an impact. **Total wage impact in 2018 = number of employees too small to calculate.**
- Mid-America – This contract is for housekeeping at the Milwaukee County Transit System and for the third and fourth quarter of 2018 had 10 employees earning at the minimum wage. A new contract was executed in 2015. Service delivery was changed so overall change in cost of contract cannot be used. Employee wage rates were not disclosed so change in wage rates cannot be determined. **Total wage impact in 2018 = not able to be calculated.**
- First Transit – This contract is for paratransit services and for the third and fourth quarter of 2018 included a total of 21 employees earning at the minimum wage. A new contract was executed in 2015 and included the minimum wage requirement. Employee wage rates were not disclosed, however, the hourly rate paid for the overall service remained at the same amount as the prior contract. **Total wage impact in 2018 = not able to be calculated.**
- Transit Express – This contract is for paratransit services and for the third and fourth quarter of 2018 included a total of 49 employees earning at the minimum wage. A new contract was executed in 2015 and included the minimum wage requirement. Employee wage rates were not disclosed however, the hourly rate paid for the overall service decreased from the amount in the prior contract. As of the 4th quarter of 2018 only 1 employee remained at the minimum wage. **Total wage impact in 2018 = not able to be calculated.**

Allied Barton – This contract is for security at the Milwaukee County Transit System and for the third and fourth quarter of 2018 had 29 employees earning at the minimum wage. A new contract was executed in 2015 with an increase payment in total for the lowest level staff annually of \$64,016. **Total wage impact in 2018 = \$64,016.**

Personnel Specialists – This contract was for temporary help services for Milwaukee County and for the third and fourth quarter of 2018 had 12 employees earning at the minimum wage. A new contract was effective in July of 2018 which no longer requires the minimum wage to be paid. Based upon current salary rates provided Personnel Specialists continue to pay the minimum wage of \$12.07 effective in March of 2018. **Total wage impact in 2018 = \$0.**

Based upon our limited review of the wage impact in 2018, we found increased costs of \$350,000 for the employees earning minimum wage of the vendor providing parking services at the Airport. In addition, the security provided at the Milwaukee County Transit System had increased wage costs of \$64,016 for employees earning minimum wage.

This status report is informational and due to the continued monitoring of contracts with minimum wage requirement, we plan to provide a status report in first quarter of 2020 containing wage data from 2019.



Jennifer Folliard, Director
JLF/MRP

- cc:
- Scott B. Manske, CPA, Milwaukee County Comptroller
 - Milwaukee County Board of Supervisors
 - Chris Abele, Milwaukee County Executive
 - Teig Whaley-Smith, Director, Department of Administrative Services
 - Margaret Daun, Corporation Counsel, Office of Corporation Counsel
 - Kelly Bablitch, Chief of Staff, County Board Staff
 - Raisa Koltun, Chief of Staff, Milwaukee County Executive
 - Patrick Lee, Director, DAS-Procurement Division
 - Stephen Cady, Research & Policy Director, Office of the Comptroller
 - Janelle Jensen, Legislative Services Division Manager, County Clerk's Office