Stinnett, Chair
Moloney, Vice Chair
Kay
Ford
Farmer
Scutchfield
Brown
Mossotti
Bledsoe
Lane

A G E N D A
Budget, Finance & Economic Development Committee
March 17, 2015
1:00 P.M.

1. **February 24, 2015 Committee Summary** (1-3)

3. Monthly Financial Report
(Materials will be distributed by the meeting date)

2. **Local Minimum Wage Ordinance -** Mossotti (4-26)

3. **Wellness Center Update -** Stinnett (27-29)

4. **Items Referred** (30)

"The Budget, Finance and Economic Development Committee, to which shall be referred matters relating to the Department of Finance and Administration and the Office of Economic Development respectively, including but not limited to accounting; budgeting; purchasing; revenue; the urban county courts and constitutional officers; fiscal operations of the government; revenues and expenditures of the government and organization changes which affect the fiscal operations of the government (consideration limited to operational aspects only). Additionally, this committee shall review the final audit report and management letter of the accounting firm recommended by the Mayor and selected by the council to conduct the annual financial audit of the Urban County Government and shall report its findings concerning the same to the Mayor and council for appropriate action."

Council Rules & Procedures, Section 2.102 (1) Effective January 1, 2015. Adopted by the Urban County Council September 25, 2014.

2015 Meeting Schedule

January 27	June 23
February 24	August 25
March 17	September 22
April 28	October 27
May 26	December 1

Budget, Finance, and Economic Development Committee

February 24, 2015
Summary and Motions

Chair Stinnett called the meeting to order at 1:03 p.m. Committee Members Bledsoe, Brown, Kay, Moloney, Mossotti, Stinnett, Ford, Scutchfield, and Farmer were in attendance. Lane was absent. Council Members Gibbs and Akers were also in attendance.

1. January 27, 2015 Committee Summary

Brown requested a change of wording on the first page, last paragraph of the summary. Stinnett stated this correction will be made to the summary before it is read at the Council Meeting.

A motion was made by Scutchfield to Approve as Amended the Summary of the Budget, Finance & Economic Development Committee, January 27, 2015, seconded by Farmer. The motion passed without dissent.

2. JOBS Fund Update

Wes Holbrook provided an update to the committee on the JOBS program. There was no discussion.

3. Commerce Lexington Update, Company Relocation Assistance

Stinnett informed that this update would look at ways Commerce Lexington promotes jobs in the area, including minority businesses and land use.

Gina Greathouse, Hannah Huggins and Kimberly Rossetti from Commerce Lexington gave a presentation of the quarterly update.

In a comment regarding prospect leads, Kay inquired if the format for reporting business information could include median as well as average wage. Greathouse stated they have this information and will send to Council. Greathouse informed it is not always possible to report this information, as it must be provided individually from companies that have applied for incentives, but they will include the information when available. Greathouse further explained their current information reports how much payroll tax is generated by the companies.

In response to a question from Mossotti, Greathouse stated they could provide which companies receive incentives.

Greathouse responded to Kay's inquiry about the Lexington Venture Club, stating they annually poll small technology start-ups to measure how many jobs they have created. Kay asked if these lists represent investments within the calendar year and if the lists provide total investments or only investments reported by the companies. Greathouse stated this is correct.

Scutchfield inquired about the response from the Commerce's presence at tradeshows. Greathouse gave the names of some companies recruited by those efforts, including; Surelock McGill, Birtley, and Webasto Roof Systems.

Mossotti asked how many companies have been turned away because Commerce Lexington does not have I-1 land. Kimberly Rossetti from Commerce Lexington stated they don't simply turn interested parties away, but show them other options in the region to prevent losing their business to other states. Rossetti shared that some companies only want to be within Fayette Co., but others are encouraged and willing to look at surrounding counties. Mossotti asked if land is their largest barrier. Rossetti affirmed that it is.

Akers inquired about the Economic Development (ED) parcels. Rossetti stated in addition to I-1 land, they also recommend land in the Economic Zone, but the timeframe for those properties to become available often do not meet the needs of interested companies. Stinnett informed there are currently 450 acres of vacant ED land divided between 2 owners in the county and states Commissioner Paulson and the Planning Committee are looking at why this land has not generated any jobs, and that those recommendations will be brought back to the Planning Committee.

Kay inquired about the different bottom lines between manufacturing and high-tech jobs. Rossetti stated the difference comes from economic multipliers; manufacturing jobs have greater impact due to the use of suppliers in constructions, etc., whereas tech jobs may only be purchasing furniture and office supplies from local vendors.

In response to Mossotti, Greathouse stated that companies buy rather than lease parcels of land. Mossotti inquired about the barriers to acquiring land. Greathouse stated Commerce Lexington needs properly zoned, currently available land to be competitive. She stated that they lose potential businesses while waiting for land to be re-zoned. Mossotti asked Stinnett if the ED land will come to Council in another proposal and inquired about the Bluegrass Business Park. Stinnett stated current ED land it not zoned conductively, also stating that the lands are located on Polo Club and Newtown Pike. Moloney asked why the developers are having difficulty getting the properties re-zoned. Greathouse stated there are a lot of infrastructure issues and sewer extraction fees which make the properties very expensive.

Monthly Financials

Bill O'Mara presented the monthly financials and Rusty Cook, Director of Revenue, presented the monthly revenue. Melissa Leuker, Budget Director, also presented monthly revenues.

Bledsoe inquired about the number of vacant positions. Leuker responded the vacancies are due to positions that are filled internally, explaining this leaves a remaining vacancy which takes longer to lower the number of vacancies. The number also reflects Fire and Police which have a longer hiring process. In response to a question from Bledsoe, Stinnett stated that Teresa Grider, Council Budget Analyst has previously provided information showing which departments are experiencing the highest numbers of vacancies and he will distribute this information to Council.
Moloney asked several questions about the $9 million positive variance, and the -$4 million in revenue, inquiring if the totals would catch up with one another. Leuker stated that the variance changes from month to month.

At the request of Stinnett, O'Mara presented an update of the Economic Contingency funds. Farmer inquired about the target number for the funds. O'Mara stated the goal is 10% of revenue from the General Fund. In response to Farmer, O'Mara stated the ordinance does not address what happens once the goal is reached. Farmer stated he would like to review this, due to the possibility of a considerable contribution this year. Farmer stated he would like for Committee to consider possible outcomes. Stinnett stated that budgeted revenue is a "moving target" to be considered. Brown requested a list of what the funds can be used for, also stating they have never been withdrawn. O'Mara stated that the ordinance is very stringent about the use of the funds. Stinnett replied that a withdrawal was previously budgeted but never used; in 2006 the ordinance was changed and there are now only two ways to withdraw funds.

4. Items Referred to Committee

A motion was made by Mossotti to Approve JOBS Program Review, seconded by Farmer. The motion passed without dissent.

A motion was made by Farmer to Adjourn, seconded by Scutchfield. The motion passed without dissent.

Meeting Adjourned at 2:01 p.m.

DS 2.26.2015

KENTUCKY CENTER for ECONOMIC POLICY

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March 10, 2015

Who Stands to Benefit from a Minimum Wage Increase in Lexington

By Jason Bailey

The Lexington-Fayette Urban County Council is considering a proposal to raise the local minimum wage. New Kentucky Center for Economic Policy (KCEP) analysis of Census data shows that an increase to $10.10 an hour would directly lift the wages of an estimated 20 percent of those who work in Lexington/Fayette County, or 31,300 workers. The minimum wage increase would provide relief from stagnant or declining wages for many workers on the bottom, and is supported by an extensive body of research suggesting little to no harm to employment.

Workers Benefitting Are Overwhelmingly Adults, and Most are Women and Full-Time Workers

The attached table provides a detailed breakdown of who would benefit from the proposed increase. Total potential beneficiaries include 41,000 workers, 31,300 who make less than $10.10 an hour and 9,700 who make slightly above the new minimum wage but could also see an increase as wage scales at the bottom are adjusted upward (see “Note on Methods” below).

Contrary to stereotypes, the workers who would benefit from the increase are overwhelmingly adults. Ninety percent of direct beneficiaries (those whose wages are currently below $10.10) are at least 20 years old. In fact, there are more workers over the age of 50 who would benefit (making up 14 percent of those directly affected) than there are teenagers.

Those who would benefit most commonly work in retail stores (19 percent of the total number of workers directly affected), restaurants and food services (19 percent), and health and educational services (7 percent each). Fifty-six percent of workers in hotels, motels and other accommodation services would benefit, and 50 percent of restaurant and food service workers. Fifty-four percent of those directly benefitting work full time (at least 35 hours a week), with the remainder working part time.

Fifty-seven percent of workers who would benefit directly are women. Seventy-three percent are white, and 15 percent African American. These workers have a range of education levels. Eighteen percent are not high school graduates, 33 percent have just a high school degree, 35 percent have some college and 15 percent have four years or more of college.

Seventy-six percent of workers with family incomes below the poverty line would benefit from the increase. Twenty-six percent of workers benefiting have a child in the household.

Workers’ Wages Have Been Stagnant or Declining and Are Inadequate to Make Ends Meet

A substantial number of workers in Lexington stand to gain in part because wages for many have been stagnant or declining in recent years. Median annual earnings for workers living in Fayette County were only $25,359 in 2013, substantially less than they were in 2007 after adjusting for inflation.[1] Wage stagnation and decline has been going on for more than a decade in Kentucky and the nation as a whole. In fact, the late 1990s were the only period in the last 35 years in which Kentucky and U.S. workers saw real wage growth at the middle and the bottom of the wage distribution.[2]

The erosion in the value of the minimum wage is a big cause of this decline for workers at the bottom. The minimum wage has lost more than 25 percent of its value in inflation-adjusted terms from its peak in 1968. If it had kept up with average workers' wages over that time period, it would be $10.65 in 2013, and if it had kept up with the growth in productivity since then it would be $18.30.[3] According to a recent report, the erosion of the minimum wage since the 1970s explains about two-thirds of the growing gap between low- and middle-wage workers.[4]

The minimum wage is also inadequate relative to what it takes to meet families' basic needs. The Economic Policy Institute has produced estimates of the income needed in localities across the United States to provide a "secure yet modest" standard of living, meaning enough income to afford housing, food, child care, transportation, health care, other necessities and taxes. That study found that a family of four in Lexington with two parents and two children needed $62,982 in 2013, while a family with one parent and one child needed $43,368. But a full-time, year-round minimum wage worker makes only $15,080.[5]

Tipped workers also have difficulty making ends meet, in large part because the tipped minimum wage of $2.13 an hour has not been increased since 1991. While it was previously set at 50 percent of the regular minimum wage, it is now only 30 percent. Tipped workers are twice as likely to fall under the poverty line as all workers, and waiters are almost three times more likely. Because of their low wages, 46 percent of tipped workers and their families rely on public assistance to make ends meet.[6]

Because the federal government has not taken action to keep the minimum wage up to date, states and localities across the country are doing so. Twenty-nine states plus DC either have a higher minimum wage than the federal minimum of $7.25 or are phasing in a higher minimum wage; 14 cities and counties now have minimum wages higher than their state minimum; and 31 states plus DC have a higher tipped minimum than Kentucky's $2.13 (in eight of those states, the tipped minimum is equal to the regular minimum wage).[7]

Research Suggests that Minimum Wage Increases Have Little to No Harmful Effect on Employment

Claims that increases in the minimum wage will eliminate a large number of jobs are not supported by the substantial body of research on this question. The minimum wage is one of the most extensively-studied topics in economics, and the conclusion of a vast body of evidence is that modest increases have little to no effect on employment.

This research can be summarized as follows:

- An analysis of 64 minimum wage studies containing 1,500 estimates of the impact of minimum wage increases found that the bulk of the estimates clustered around zero or near-zero employment effects, and concluded that "if there is some adverse employment effect from minimum wage raises, it must be of a small and policy-irrelevant magnitude."[8]
- A new book that reviews the literature on the minimum wage states: "it appears that if negative effects on employment are present, they are too small to be statistically detectable. Such effects would be too modest to have meaningful consequences in the dynamically changing labor markets of the United States."[9]
- A statement signed by 600 economists, including seven Nobel Prize winners and eight former Presidents of the American Economic Association, said that "in recent years there have been important developments in the academic literature on the effect of increases in the minimum wage on employment, with the weight of evidence now showing that increases in the minimum wage have had little or no negative effect on the employment of minimum wage workers, even during times of weakness in the labor market."[10]

Particularly relevant to the question of a Lexington ordinance is the research on local minimum wage increases. While that literature is somewhat limited because only 14 cities and counties have passed minimum wage increases—many of them recently—the credible research that has been done to date suggests that increases do not harm employment. Rigorous studies of laws in San Francisco and Santa Fe find no statistically significant negative effects on jobs or hours worked, including in low-wage industries like restaurants.[11]

Also, studies that compare adjacent counties across state borders after one state raises its minimum wage are highly relevant to city ordinances, and they also find little or no harm to employment from an increase. An influential 1994 study that has helped shape current thinking about the issue found that a minimum wage increase in New Jersey had no harmful effect on fast food employment in that state compared to counties in neighboring Pennsylvania, which had not increased its minimum wage.[12] A recent follow-up study applied that methodology to 288 bordering counties in states with different minimum wages between 1990 and 2006, and the study found “no adverse employment effects” from an increase in the minimum wage.[13]

Researchers have identified a number of mechanisms of adjustment that explain the lack of a harmful impact on employment from minimum wage increases. According to a recent literature review, the most important such channels are the cost savings and improved productivity from a reduction in labor turnover (in a recent year, 37 percent of food service and hotel workers quit their jobs), improvements in organizational efficiency, reductions in wages of high earners and minor price increases.[14]

Similarly, there is no discernible evidence that a higher tipped minimum wage harms jobs; states with a tipped minimum wage equal to the regular minimum wage do not have a smaller percentage of the workforce made up of tipped workers than states like Kentucky where the tipped minimum is just $2.13.[15]

Note on Methods

KCEP’s estimates of the impact of a minimum wage increase in Lexington/Fayette County are based on analysis of 2013 American Community Survey data drawing on methods developed by the Institute for Research on Labor and Employment at the University of California, Berkeley and the Economic Policy Institute.[16] The analysis is based on persons ages 16-64 who work in Lexington/Fayette County. Hourly wage estimates are calculated from reported annual labor earnings, hours worked per week and number of weeks worked per year. To help address reporting error in these figures, the analysis excludes cases where the resulting hourly wage is less than half of the statutory minimum wage in 2013. Indirectly affected workers are assumed to be those making between $10.10 and $11.50 an hour, slightly less than the most common ripple effect of 15 percent above the new wage for state and federal minimum wage increases from 1983 to 2002 identified by Wicks-Lim.[17] Estimates of workers in the accompanying table are rounded to the nearest hundred.

The Kentucky Center for Economic Policy is a non-profit, non-partisan initiative that conducts research, analysis and education on important policy issues facing the Commonwealth. Launched in 2011, the Center is a project of the Mountain Association for Community Economic Development (MACED). For more information, please visit KCEP’s website at www.kypolicy.org.

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[1] In 2007, median annual earnings in Lexington/Fayette County were $30,086 in 2013 dollars. Data is from the American Community Survey 1-year estimates; difference between the two years is statistically significant.
[2] Jason Bailey, et al., “The State of Working Kentucky 2014,” Kentucky Center for Economic Policy, August 2014, http://kypolicy.org/dash/wp-content/uploads/2014/08/State-of-Working-KY-2014-final.pdf. Josh Bivens, et al., “Raising America’s Pay: Why It’s Our Central Economic Policy Challenge,” Economic Policy Institute, June 4, 2014, http://www.epi.org/publication/raising-americas-pay/.
[3] David Cooper, “Raising the Federal Minimum Wage Would Lift Wages for Millions and Provide a Modest Economic Boost,” Economic Policy Institute, December 19, 2013, http://www.epi.org/publication/raising-federal-minimum-wage-to-1010/.
[4] Bivens, “Raising America’s Pay.”
[5] Economic Policy Institute, Family Budget Calculator, http://www.epi.org/resources/budget/.
[6] Sylvia A. Allegretto and David Cooper, “Twenty-Three Years and Still Waiting for Change: Why It’s Time to Give Tipped Workers the Regular Minimum Wage,” Economic Policy Institute and University of California Berkeley Institute for Research on Labor and Employment, July 10, 2014, http://www.epi.org/publication/waiting-for-change-tipped-minimum-wage/.

[7] National Conference of State Legislatures, “2014 Minimum Wage by State,” September 17, 2014, http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx. Michael Reich, et al., “The Mayor of Los Angeles’ Proposed City Minimum Wage Law: A Prospective Impact Study,” University of California Berkeley Institute for Research on Labor and Employment, September 2014, http://irle.berkeley.edu/cwed/briefs/2014-05.pdf. Allegretto and Cooper, “Twenty-Three Years and Still Waiting for Change.”

[8] Chris Doucouliagos and T. D. Stanley, “Publication Selection Bias in Minimum Wage Research? A Meta-Regression Analysis,” Research Papers in Economics, October 24, 2008, http://ideas.repec.org/p/dkn/econwp/eco_2008_14.html.

[9] Dale Belman and Paul J. Wolfson, “The New Minimum Wage Research,” *Employment Research* (April 2014), pp. 4-5, http://research.upjohn.org/cgi/viewcontent.cgi?article=1220&context=empl_research.

[10] Economic Policy Institute, “Economist Statement on the Federal Minimum Wage,” http://www.epi.org/minimum-wage-statement/.

[11] Literature is reviewed in Michael Reich, et al., “Local Minimum Wage Laws: Impacts on Workers, Families and Businesses,” University of California Berkeley Institute for Research on Labor and Employment, March 2014.

[12] David Card and Alan B. Krueger, “Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania,” The American Economic Review, September 1994, http://davidcard.berkeley.edu/papers/njmin-aer.pdf.

[13] Arindrajit Dube, T. William Lester and Michael Reich, “Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties,” University of California Berkeley Institute for Research on Labor and Employment, November 2010, http://www.irle.berkeley.edu/workingpapers/157-07.pdf.

[14] John Schmitt, “Why Does the Minimum Wage Have No Discernible Effect on Employment?” Center for Economic and Policy Research, February 2013, http://www.cepr.net/documents/publications/min-wage-2013-02.pdf. Reich, “Local Minimum Wage Laws.”

[15] Allegretto and Cooper, “Twenty-Three Years and Still Waiting for Change.” Heather Boushey and Sarah Jane Glynn, “There Are Significant Business Costs to Replacing Employees,” Center for American Progress, November 16, 2012, http://cdn.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf.

[16] Jeremy Welsh-Loveman, Ian Perry and Annette Bernhardt, “Data and Methods for Estimating the Impact of Proposed Local Minimum Wage Laws,” University of California Berkeley Institute for Research on Labor and Employment, June 2014, http://www.irle.berkeley.edu/cwed/briefs/2014-01-data-and-methods.pdf. Cooper, “Raising the Federal Minimum Wage.”

[17] Jeanette Wicks-Lim, “Mandated Wages Floors and the Wage Structure: New Estimates of the Ripple Effects of Minimum Wage Laws,” Political Economic Research Institute Working Paper Series, May 2006, http://www.peri.umass.edu/fileadmin/pdf/WP116.pdf. 15% above the new minimum wage, which equals $11.62 an hour, is also the lower bound (most conservative) estimate used in Welsh-Loveman, et al., “Data and Methods for Estimating the Impact of Proposed Local Minimum Wage Laws.”

Beneficiaries of Potential Lexington Minimum Wage Increase

Category	Directly affected ($10.10 or less)	Percentage of the total directly affected	Share of category directly affected	Indirectly affected ($10.10-$11.50)
Total	**31,300**	**100%**	**20%**	**9,700**
Sex				
Female	17,700	57%	22%	4,200
Male	13,700	44%	18%	5,600
Age				
Less than 20	3,000	10%	61%	400
20 to 34	19,000	61%	31%	4,600
35 to 49	5,000	16%	10%	3,200
50+	4,300	14%	10%	1,500
Race				
White	22,700	73%	18%	7,700
African American	4,800	15%	27%	1,300
Other	3,800	12%	37%	700
Education				
Less than high school	5,500	18%	52%	500
High school	10,300	33%	24%	4,100
Some college	10,900	35%	24%	3,000
4+ years college	4,600	15%	8%	2,100
Children in household				
1 child	3,600	12%	13%	1,500
2 or more children	4,400	14%	13%	1,400
No children	23,400	75%	25%	6,900
Family income				
Less than poverty line	11,100	35%	76%	1,100
Between poverty line and twice poverty	11,600	37%	41%	5,100
200%-400% poverty	5,500	18%	10%	2,900
Above 400%	3,200	10%	5%	700
Full-time/Part-time				
Full-Time (35+ hours per week)	16,900	54%	14%	6,300
Part-Time	14,500	46%	42%	3,400
Industry				
Construction	1,400	4%	19%	500
Manufacturing	700	2%	4%	400
Wholesale trade	400	1%	10%	900
Retail trade	6,100	19%	35%	3,200
Transportation and warehousing	1,600	5%	30%	500
Financial, Insurance, Real Estate	500	2%	9%	000
Professional, scientific and management	600	2%	7%	200
Administrative and waste management	1,900	6%	33%	400
Educational services	2,300	7%	13%	600
Health services	2,100	7%	8%	700
Social assistance	1,300	4%	33%	500
Restaurants and food services	5,800	19%	50%	900
Arts, entertainment, recreation	1,100	4%	31%	100
Accommodation	1,000	3%	56%	000
Other	4,700	15%	24%	800

Source: Kentucky Center for Economic Policy analysis of American Community Survey data; see Note on Methods.

Profile of Lexington Minimum Wage Earner

Category	Directly affected ($10.10 or less)	Percentage of the total directly affected	Share of category directly affected	Indirectly affected ($10.10-$11.50)
Total	31,300	100%	20%	9,700
Sex				
Female	17,700	57%	22%	4,200
Male	13,700	44%	18%	5,600
Age				
Less than 20	3,000	10%	61%	400
20 to 34	19,000	61%	31%	4,600
35 to 49	5,000	16%	10%	3,200
50+	4,300	14%	10%	1,500
Race				
White	22,700	73%	18%	7,700
African American	4,800	15%	27%	1,300
Other	3,800	12%	37%	700
Education				
Less than high school	5,500	18%	52%	500
High school	10,300	33%	24%	4,100
Some college	10,900	35%	24%	3,000
4+ years college	4,600	15%	8%	2,100
Children in household				
1 child	3,600	12%	13%	1,500
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No children	23,400	75%	25%	6,900

Category	Directly affected ($10.10 or less)	Percentage of the total directly affected	Share of category directly affected	Indirectly affected ($10.10-$11.50)
Family income				
Less than poverty line	11,100	35%	76%	1,100
Between poverty line and twice poverty	11,600	37%	41%	5,100
200%-400% poverty	5,500	18%	10%	2,900
Above 400%	3,200	10%	5%	700
Full-time/Part-time				
Full-Time (35+ hours per week)	16,900	54%	14%	6,300
Part-Time	14,500	46%	42%	3,400
Industry				
Construction	1,400	4%	19%	500
Manufacturing	700	2%	4%	400
Wholesale trade	400	1%	10%	900
Retail trade	6,100	19%	35%	3,200
Transportation and warehousing	1,600	5%	30%	500
Financial, Insurance, Real Estate	500	2%	9%	000
Professional, scientific and management	600	2%	7%	200
Administrative and waste management	1,900	6%	33%	400
Educational services	2,300	7%	13%	600
Health services	2,100	7%	8%	700
Social assistance	1,300	4%	33%	500
Restaurants and food services	5,800	19%	50%	900
Arts, entertainment, recreation	1,100	4%	31%	100
Accommodation	1,000	3%	56%	000
Other	4,700	15%	24%	800

Source: Kentucky Center for Economic Policy analysis of American Community Survey data; see Note on Methods.

Lexington-Fayette Urban County Council

TO: Jenifer Mossotti, Councilmember
9th District

FROM: Paul Schoninger
Research Analyst

DATE: February 28, 2014

SUBJECT: Impacts of an Increase to the Minimum Wage

This is in response to your recent request for information pertaining to the issue of enacting a local minimum wage ordinance. In this memo I'll attempt to summarize some of the published research regarding the impacts of an increase in the minimum wage.

As local minimum wage ordinances are a relatively new tool there has been limited research on their impacts with a few exceptions. The University of California at Berkley conducted limited studies on the impact of the San Francisco minimum wage ordinance after it was adopted in 2004. In addition Santa Fe surveyed both businesses and low wage earners impacted by its minimum wage ordinance also adopted in 2004.

In San Francisco, an estimated 54,000 low income workers received raises when the citywide minimum wage took effect in 2004. The University of California study of San Francisco found that the minimum wage increase resulted in over $ 60 million of new spending.

A survey of local businesses in San Francisco found that 82% of employers increased costs by less than 1%. The survey also found that costs at 5% of all businesses rose by more than 5% due to the minimum wage ordinance.

The San Francisco study found that employee turnover rates improved by approximately 15% annually. A similar study of the wage law at the San Francisco Airport found that turnover rates deceased at 65% of the airport businesses.

In Santa Fe 11,000 low income wage earners received a raise when the minimum wage ordinance took effect also. The survey found that the minimum wage workers were adults and predominantly people of color. The survey found that more workers were over 55 than were teenagers.

An analysis in Santa Fe found that the costs for a typical employer would increase by 1% and in the most heavily impacted sector, restaurants, costs rose 3.4% because of the increase in the minimum wage.

Studies in Santa Fe and San Francisco found that few businesses relocated outside of the cities to avoid the higher minimum wage levels, because the businesses most affected were the ones that needed to stay close to their customer base, for example restaurants, hotels and retailers.

In 2014, the Congressional Budget Office (CBO) released a report on the impact of a proposal to increase the national minimum wage. The CBO estimated that with a minimum wage of $ 10.10, employment would be reduced by approximately 500,000 jobs. They estimated the job loss range at between 0 and 1.1 million jobs.

The CBO estimated that at $ 10.10 per hour real income would increase on net by $ 5 billion for families whose income are below the current poverty threshold. In addition approximately 900,000 people on net would move above the poverty level or about 2% of the roughly 45 million people living below the poverty threshold.

If the minimum wage was increased to $ 9 per hour the job loss was estimated to be approximately 100,000 by 2016. The CBO estimated that the range of job impact would be somewhere between a slight increase in employment to approximately 250,000 jobs lost.

At $ 9.00 per hour real income would increase on net by $ 1billion for families whose income are below the current poverty threshold. In addition approximately 300,000 people on net would move above the poverty level.

If, after reviewing this memo and attached materials, you have any questions, comments or need clarification, please don't hesitate to contact me.

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Paul Schoninger
Research Analyst

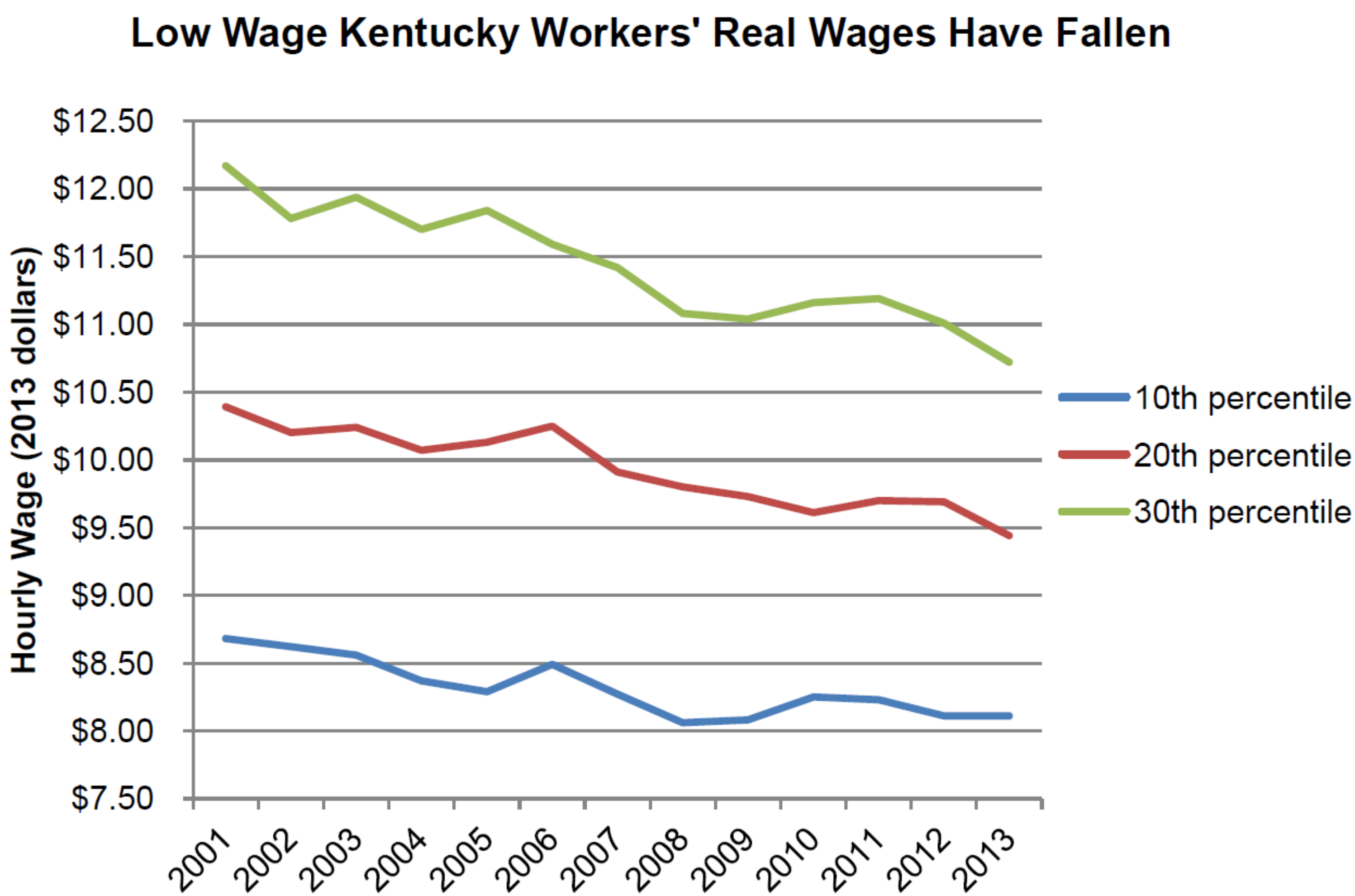
c: Stacey Maynard
Rob Bolson

Tipped Minimum Wage Value

The value of the **tipped minimum wage** has declined as well, from at least 50 percent of the federal minimum wage between 1966 and 1996 to just 30 percent of the full wage, or $2.13 per hour, today. While employers are supposed to make up any difference between tips and the full minimum wage, wage abuse is not uncommon. Nationally, the poverty rate for tipped workers is nearly twice as high as for non-tipped workers.

Sylvia Allegretto and David Cooper, "Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage," Economic Policy Institute, July 10, 2014.

Low Wage Kentucky Workers' Wages



Source: Economic Policy Institute analysis of Current Population Survey data.

Increase in Tipped Minimum Wage Is Long Overdue

Stagnant or falling real wages for many Kentucky workers threatens their standard of living and is leading to growing income inequality. One of the causes of inadequate wages is the failure of state and federal governments to adjust the minimum wage to keep up with inflation. That neglect includes the minimum wage for tipped workers, which has not been increased in 23 years.

House Bill 191 in the 2014 Kentucky General Assembly would gradually raise the minimum wage for tipped workers from $2.13 an hour to 70 percent of the regular minimum wage. It is a necessary companion bill to House Bill 1, which raises the minimum wage for non-tipped workers to $10.10 an hour over three years. Together, the two bills update the minimum wage in ways similar to the Fair Minimum Wage Act introduced in Congress.

Here are the reasons why raising the tipped minimum wage makes sense:

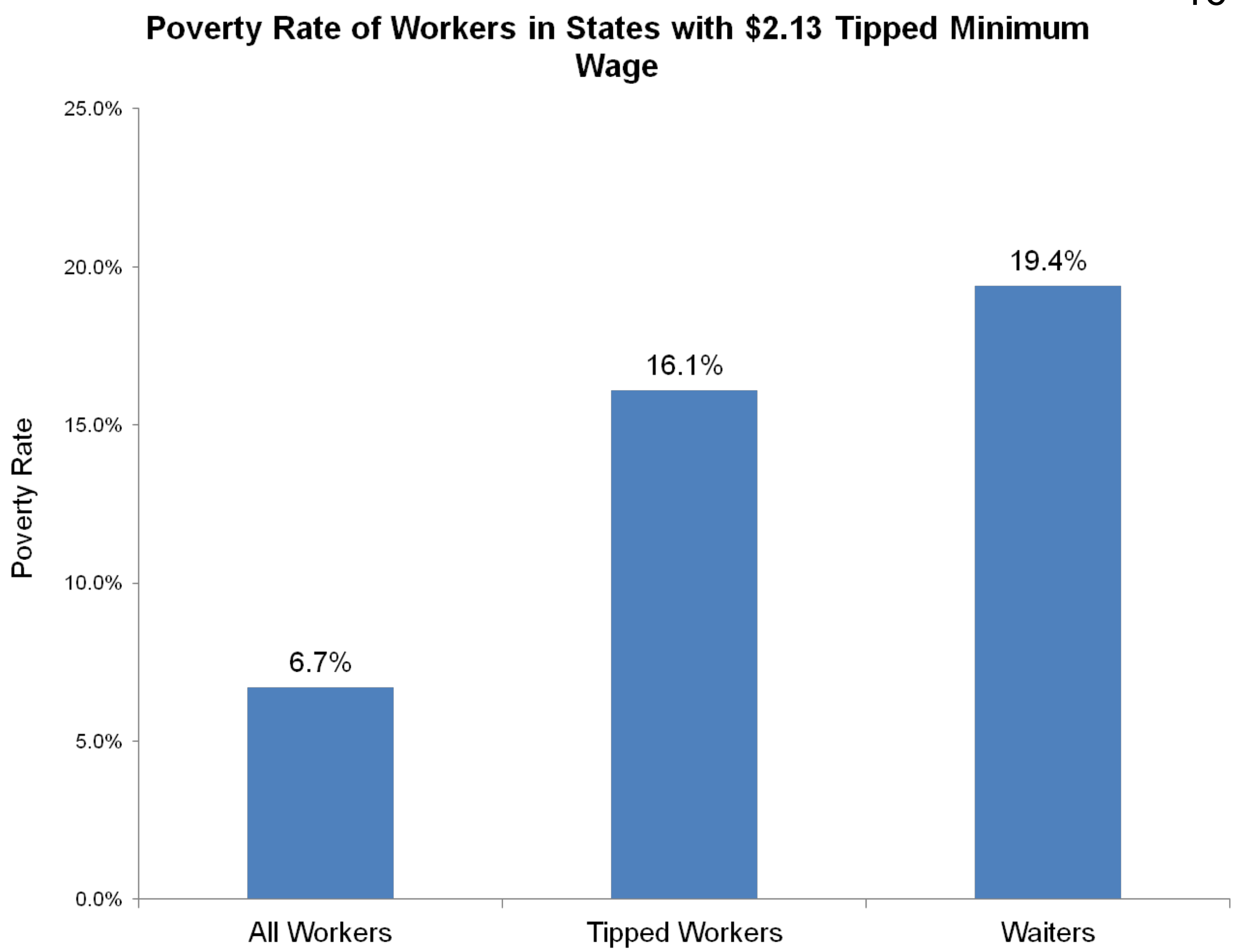
Tipped workers are a growing portion of the workforce, and many of them don't make enough in wages to avoid poverty

The sectors that employ tipped workers have been growing in recent years. Employment in the industry "food services and drinking places" has increased 15.1 percent since 2003 while total employment has increased only 2.3 percent over that time.[1] That mirrors national trends, where the growth in tipped employment far exceeds job growth in general over the last decade. So while the economy has shed jobs in manufacturing, construction and other sectors, the workforce is increasingly made up of service sector jobs, including jobs that rely on tips.

Nationally, 61 percent of tipped workers are waiters; 15 percent are hairdressers and hairstylists, and 11 percent are bartenders. The tipped workforce is disproportionately female—73 percent of tipped workers are women. And tipped workers are overwhelmingly adults. 88 percent are at least 20 years old and nearly half are at least 30. Among waiters, 82 percent are 20 or older.

Kentucky is one of 13 states in which the tipped minimum wage is still only $2.13 an hour, where it has remained since 1991. Tips are supposed to increase workers' total wages to more acceptable levels, but the reality is that many tipped workers don't make enough to avoid poverty.

In those states that have a $2.13 minimum like Kentucky, the poverty rate is more than twice as high for tipped workers as it is for all workers, and the poverty rate is nearly three times higher for waiters and waitresses. 16.1 percent of tipped workers in states with a low tipped minimum wage like Kentucky live in poverty and 19.4 percent of waiters live in poverty, compared to only 6.7 percent of all workers.



Source: Economic Policy Institute analysis of Current Population Survey data

Other challenges with tipped work exacerbate the low wages. Income from tips is volatile and subject to a variety of factors like shift assignments, season of the year and the economy. Odd hours can make child care difficult to find and expensive. And these jobs are often physically demanding. Constant contact with customers subjects workers to illness that can mean lost work time.

It should also be noted that many tipped workers don't receive benefits. 71% of private sector workers have access to some type of healthcare benefits compared to just 37% of workers in food services. Retirement benefits are provided for 65% of private sector workers but just 32% of workers in food services.

Decline in the real value of the tipped minimum wage is a big cause of the higher rates of poverty endured by many tipped workers

From 1966 to 1996 the tipped minimum wage was at least 50 percent of the federal minimum wage. When the federal minimum wage was increased in 1996, that link was broken. The relative value of the tipped minimum wage has since declined to only 30 percent of the regular minimum wage.

Because the regular minimum wage itself has lost 30 percent of its real value since the 1960s, the tipped minimum wage has lost 60 percent of its value over that time.

Raising the tipped minimum wage makes a difference for workers' well-being. The poverty rates for tipped workers in states like Kentucky with a tipped minimum wage of only $2.13 is 16.1 percent compared to 12.1 percent in states where tipped workers receive the full minimum wage. The median wage for waiters in states with a $2.13 tipped minimum is only $8.77, while it is $10.27 in states where the minimum wage is the same for tipped and non-tipped workers.

Raising the tipped minimum wage won't decrease employment

Contrary to the claim that raising the minimum wage decreases employment, tipped workers make up a consistent share of the workforce across the country, from states where the minimum is just $2.13 per hour to states where they are paid the full minimum wage. In other words, states that have raised the minimum wage for tipped workers do not have a smaller tipped workforce.

The impact of the minimum wage on employment is one of the most studied questions in economics, and the overwhelming conclusion is that modest increases have little to no impact on employment. That's because businesses have multiple channels of adjustment to use besides shedding jobs in response to a higher minimum wage. Higher wages can be absorbed through reduced worker turnover and training costs, compressed wages at the top, improvements in organizational efficiency and a variety of other means.

All of these reasons to raise the tipped minimum wage are why many states have already taken action. In 2011, only 31 percent of the workforce was still in a state with a $2.13 minimum for tipped workers. As mentioned previously, only 13 states still set the tipped minimum at $2.13. 24 states have a tipped minimum that is higher including West Virginia, Ohio and Missouri, and in 7 states the tipped minimum is the same as the non-tipped minimum wage.

Tipped Minimum Fact Sheet

1. Bureau of Labor Statistics, Current Employment Statistics. ↩

Lexington-Fayette Urban County Council

TO: Budget, Finance & Economic Development Committee

FROM: Paul Schoninger
Research Analyst

DATE: March 12, 2015

SUBJECT: Proposed Minimum Wage Increase:
Direct Impact on the LFUCG General Fund Budget

I was asked to estimate the impact the proposed minimum wage increase might have on the LFUCG General Fund budget. As you know the wage increases are phased in over a 3 year period; to $ 8.0 per hour by July 1, 2015; to $ 9.15 by July 1, 2016; and to $ 10.10 per hour by July 1, 2017.

It is estimated that direct Revenue to LFUCG due to an increase in Employee Withholdings will increase in Year 1 thru June 30, 2015 by $ 470,000; in Year 2 thru June 30, 2016 by $ 1,000,000; and by Year 3 thru June 30, 2017 by $ 1,700,000.

Direct personnel expenditures will also increase via increases in the wages paid to numerous part time and seasonal employees primarily in the Division of Parks & Recreation. The wages paid to participants in the Summer Youth Employment program will also need to be increased. The wages of a few interns retained by LFUCG may also be impacted

The direct Expenditures due to increased labor wages are estimated to be in Year 1 thru June 30, 2015 by $ 160,000; in Year 2 thru June 30, 2016 by $ 380,000; and in Year 3 thru June 30, 2017 by approximately $ 600,000.

Increased Professional Services expenses due to increased minimum wages paid by outside vendors doing business with LFUCG (such as custodial services) are unknown.

If, after reviewing this memo and attached materials, you have any questions, comments or need clarification, please don't hesitate to contact me.

Paul Schoninger
Research Analyst

c: Stacey Maynard

ORDINANCE NO. ____-2015

AN ORDINANCE CREATING CHAPTER 13A OF THE LEXINGTON-FAYETTE URBAN COUNTY CODE OF ORDINANCES ESTABLISHING A MINIMUM WAGE IN LEXINGTON-FAYETTE COUNTY OF $8.20 PER HOUR BEGINNING JULY 1, 2015, $9.15 PER HOUR BEGINNING JULY 1, 2016, AND $10.10 PER HOUR BEGINNING JULY 1, 2017; ESTABLISHING A MINIMUM CASH WAGE FOR TIPPED EMPLOYEES OF $2.41 PER HOUR BEGINNING JULY 1, 2015, $2.73 PER HOUR BEGINNING JULY 1, 2016, AND $3.09 PER HOUR BEGINNING JULY 1, 2017; PROVIDING FOR AN INCREASE IN THE MINIMUM WAGE AND TIPPED EMPLOYEE CASH WAGE TIED TO THE CONSUMER PRICE INDEX THEREAFTER; AND PROVIDING REMEDIES FOR EMPLOYEES PAID LESS THAN THE MINIMUM WAGE OR TIPPED EMPLOYEE CASH WAGE.

WHEREAS, at least twenty cities across the United States have increased their local minimum wage, including Louisville, Kentucky; and

WHEREAS, a minimum wage increase would reduce labor turnover, improve organizational efficiency, increase worker purchasing power in our local economy, and reduce reliance on social services;

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 – That Chapter 13A of the Code of Ordinances be and hereby is created as follows:

Chapter 13A, Minimum Wage

Sec. 13A-1. Definitions.

For purposes of this Chapter, the following definitions shall apply:

(1) *Employee*: has the same meaning as found in KRS 337.010(2)(a).

(2) *Employer*: has the same meaning as found in KRS 337.010(1)(d).

(3) *Gratuity*: has the same meaning as found in KRS 337.010(2)(c).

(4) *Tipped Employee*: has the same meaning as found in KRS 337.010(2)(d).

(5) *Wage*: has the same meaning as found in KRS 337.010(1)(c)(1).

Sec. 13A-2. Amount of Minimum Wage.

(a) Every employer within the jurisdictional boundaries of Lexington-Fayette County shall pay to each of its employees wages at a rate of not less than $8.20 per hour beginning on July 1, 2015; $9.15 per hour beginning on July 1, 2016; and $10.10 per hour beginning on July 1, 2017.

(b) Beginning on July 1, 2018, and each year thereafter, the minimum wage shall automatically increase by an amount corresponding to the previous calendar year's increase (i.e. January 1, 2017 through December 31, 2017), if any, in the Consumer Price Index for the south urban region as published by the Bureau of Labor Statistics, U.S. Department of Labor or its successor index, with the amount of the minimum wage increase rounded up to the nearest multiple of five cents. The adjusted minimum wage shall be determined by the Lexington-Fayette Urban County Government, Department of Finance and announced by April 1 of each year and shall become effective as the new minimum wage on the corresponding July 1. However, in calculating any increase to adjust the minimum wage, the Consumer Price Index, as set forth above, shall be limited to an annual increase of no more than 3%.

(c) If the federal minimum hourly wage as prescribed by 29 U.S.C. § 206(a)(1) or state minimum hourly wage as prescribed by KRS § 337.275(1) is increased in excess of the minimum hourly wage in effect under this

Chapter, the minimum hourly wage in effect under this Chapter shall be increased to the same amount, effective on the same date as the federal or state minimum hourly wage rate.

Sec. 13A-3. Tipped Employees.

(a) Notwithstanding the provisions of Sec. 13A-2 of this Chapter, for any tipped employee engaged in an occupation in which he or she is customarily and regularly receiving more than thirty dollars ($30.00) per month in tips from patrons or others, the amount paid such employee by the employer shall be an amount equal to:

1. $2.41 per hour beginning on July 1, 2015; $2.73 per hour beginning on July 1, 2016; and $3.09 per hour beginning on July 1, 2017; and
2. an additional amount on account of tips received by such employee which amount is equal to the difference between the wage specified in paragraph (1) and the wage in effect under Sec. 13A-2.

(b) Beginning on July 1, 2018, and each year thereafter, the cash wage amount specified in Sec. 13A-3(a) shall automatically increase by the same percentage as the standard minimum wage, as specified under Sec. 13A-2(b). Provided, however, that the cash wage amount calculated hereunder need not be rounded to the nearest multiple of five cents.

(c) The employer shall establish by his or her records that for each week where credit is taken, when adding tips received to wages paid, not less than the minimum rate set forth in Sec. 13A-2 was received by the employee. No employer shall use all or part of any tips or gratuities received by employees toward the payment of the statutory minimum hourly wage as required by Sec. 13A-2. Nothing, however, shall prevent employees from entering into an agreement to divide tips or gratuities among themselves.

(d) If the amount of the federal cash wage established by 29 U.S.C. § 203(m)(1) is increased in excess of the cash wage required under this Chapter, the cash wage required under this Chapter shall be increased to the same amount, effective on the same date as the federal cash wage rate.

Sec. 13A-4. Remedies.

(a) Any employee who is paid less than the minimum wage established under the provisions of this Chapter may bring a civil cause of action, authorized in KRS 337.020, against his or her employer for the full amount of wages due from the employer.

(b) In addition to the civil remedy provided in subsection (a) directly above, any employee who is paid less than the minimum wage established under the provisions of this Chapter may submit written notice of such to the Lexington-Fayette Urban County Government Citizens' Advocate.

Sec. 13A-5. Severability.

Each section and provision of this Chapter is hereby declared to be independent and, notwithstanding any other evidence of legislative intent, it is hereby declared to be the controlling legislative intent that if any provision of this Chapter, or the application thereof to any person or circumstance, is held to be invalid, the remaining sections or provisions and the application of such sections or provisions to any person or circumstances other than those to which it is held invalid shall not be affected thereby, and it is hereby declared that such sections and provisions would have been passed independently of such section or provision so known to be invalid.

Section 2 – That this Ordinance shall become effective on the date of its passage.

PASSED URBAN COUNTY COUNCIL:

____
MAYOR

ATTEST:

____
CLERK OF URBAN COUNTY COUNCIL
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Lexington-Fayette Urban County Council

TO:	Jenifer Mossotti, Councilmember 9th District
FROM:	Paul Schoninger Research Analyst
DATE:	February 23, 2015
SUBJECT:	Minimum Wage: Background Memo

This is in response to your recent request for information pertaining to the issue of enacting a local minimum wage ordinance. You have also referred this item to the Budget, Finance & Economic Development Committee. In this first memo I'll attempt to provide background on the issue; identify potential issues related to enacting a local minimum wage ordinance; and summarize other local minimum wage laws adopted in the United States.

Since the minimum wage of $ 7.25 was increased in 2009 at least twenty one (21) minimum wage ordinances have been adopted. They include:

Santa Fe, NM	$ 10.66	2003	
San Francisco, CA	$ 10.74	2003	
Albuquerque, NM	$ 8.60	2012	
San Jose, CA	$ 10.15	2012	
Bernalillo Co, NM	$ 8.50	2013	
Washington, DC	$ 11.50	2013	Graduated by 2016
Montgomery Co, MD	$ 11.50	2013	Graduated by 2017
Price George Co, MD	$ 11.50	2013	Graduated by 2017
SeaTac, WA	$ 15.00	2013	
Las Cruces, NM	$ 10.10	2014	
Santa Fe Co, NM	$ 10.66	2014	
Mountain View, CA	$ 10.30	2014	
Sunnyvale, CA	$ 10.30	2014	
San Diego, CA	$ 11.70	2014	Graduated by 2017
Oakland, CA	$ 12.25	2014	
Berkley, CA	$ 12.53	2014	Graduated by 2017
Richmond, CA	$ 13.00	2014	Graduated by 2018
Chicago, IL	$ 13.00	2014	Graduated by 2019
San Francisco, CA	$ 15.00	2014	Graduated by 2018
Seattle, WA	$ 15.00	2014	Graduated by 2021
Louisville, KY	$ 9.00	2014	Graduated by 2017

Several of the local ordinances provide waivers based on size of employer or exempt tipped employees for example.

A few of the issues involved include impact on poverty levels; impact on the economy/business; scope of the issue (estimated number of affected workers); the legality of enacting a local ordinance; capacity of and evaluation of the proposed ordinance; and alternatives to reduce poverty. These later memos will highlight these issues in greater detail.

If, after reviewing this memo and attached materials, you have any questions, comments or need clarification, please don't hesitate to contact me.

Paul Schoninger
Research Analyst

c: Stacey Maynard
Rob Bolson

- When workers prosper, so do communities and businesses in which they live.

- If we fail to act, we will leave struggling workers on the brink of homelessness, with not enough money in their paychecks to pay for the most basic of necessities, like food, medicine or clothing for their children.

- Higher wages mean happier, more productive employees who stay on the job longer, which significantly reduces high turnover costs to businesses. Simply put, when you pay more, they stay more.

- When costs go up, but wages stagnate, it hurts workers, undermines consumer demand, stresses our public safety net and erodes our tax base.

- The bottom line is…full-time workers in Lexington should not have to live in poverty.

Lexington-Fayette Urban County Government
CHIEF ADMINISTRATIVE OFFICE

Jim Gray
Mayor

Sally Hamilton
CAO

TO: Council Members

CC: Sally Hamilton, CAO
Jamie Emmons, Chief of Staff
Council Staff

FROM: Jenifer Wuorenmaa, Administrative Officer

DATE: March 10th, 2015

SUBJECT: Comprehensive Wellness Center Update

Summary

In the spring of 2014 the Urban County Council requested a review of an expanded wellness center concept. This comprehensive approach to improving the health of LFUCG employees would include combining the Samuel Brown Health Clinic (SBHC) which is managed by Marathon Health, the pharmacy, and a fitness center into one location.

Background

The Chief Administrative Officer formed a working group to develop both a short-term plan and a Request for Information (RFI) to further explore the feasibility of a comprehensive wellness center concept.

The lease at the SBHC was renegotiated and a short-term, year to year lease was signed. The negotiated rate is $8,350.04 per month for up to three one-year terms.

In addition to funding the SBHC, the LFUCG also subsidizes membership rates for LFUCG employees at the YMCA. This subsidy costs the LFUCG approximately $150,000 per year.

The working group received three responses to the RFI, one of which did not meet the minimum qualifications. On November 18, 2014, the Office of the Chief Administrator presented an update on the

RFI process to the Budget and Finance Committee of the Urban County Council. The Committee members voted and unanimously approved a motion requesting that the Chief Administrator draft a Request for Proposals (RFP) and report the results of the RFP to the Committee in the spring of 2015.

RFP Components

The RFP was drafted to allow firms to submit on any or all of the following three options:

I. Medical and Pharmacy Space Only
II. Fitness Facility Membership Only
III. Combined SBHC and Fitness Facility

The objective of the RFP was to seek proposals from firms to assist the LFUCG in creating an environment for our employees, dependents, and retirees to facilitate healthy lifestyles by encouraging collaboration between medical providers and fitness and wellness coaches. Collaboration between medical providers and fitness and wellness coaches as well as accessibility to the fitness facilities and coaches is integral to the success of such a program.

RFP Process Overview

The RFP was drafted and then vetted by the RFI working group and members of the Urban County Council. It was advertised for three weeks. Two proposals were received and the selection committee was formed. It consisted of the following membership:

I. Jamie Emmons, Office of the Mayor (non-voting)
II. Jenifer Wuorenmaa, Office of the Chief Administrator
III. John Maxwell, Human Resources
IV. Mary Lyle, Human Resources
V. Jamshid Baradaran, Facilities and Fleet
VI. Shevawn Akers, Council Member, District 2
VII. Amanda Bledsoe, Council Member, District 10
VIII. David Barberie, Department of Law (non-voting)

RFP Proposal Summary

The LFUCG received two responses to the RFP; both responses were to option III, the Combined SBHC and Fitness Facility.

Item	Current Lease-SBHC	Proposal 1-North Lexington YMC Expansion	Proposal 2-Foxtrot
Address	100 Trade Street	381 North Loudon Avenue	508 Maryland Avenue
Initial Terms (YRS)	3	20	25
Rentable Area	6,910	8,000 plus fitness facility	Up to 33,841
Annual Rent	$15.37 per sq. ft (First 3 years)	$20.31 per sq. ft (First 5 years)	$16 per sq. ft (First 10 years)
Annual Prorated Common Area Maintenance Charges	Included in Lease	Included in Lease	$15 per sq. ft (First 20 years)
Months to Complete	N/A	10	6-9

Conclusion

Upon review of the two RFP responses, the selection committee voted unanimously to reject both proposals. The factors that contributed to this decision were as follows:

I. Significant increased cost to the LFUCG
II. Possibility of a new government center that could include space for the SBHC and a fitness facility

Finally, the committee agreed that approaching representatives from both Marathon Health and the YMCA to discuss a potential partnership to provide wellness and fitness coaching would be an appropriate and welcomed next step.

Budget, Finance & Economic Development Committee Referrals

Items	Referred By	Date Referred	Status
Solid Waste Costs/Revenue/Tax Structure Cost Per Ton; Cost per Customer	Stinnett	2.1.11	Waste Management Task Force
Impact of User Fee Structure			
Activity Based Costing/Financial Efficiency	Lane	1.16.12	1.31.12
Wellness Center & Lease	Stinnett	1.28.14	December 2014
Quarterly Development Report	Stinnett	2.28.11	
Development Agencies	GS Link	6.17.13	
Jobs Program Review	Mossotti	1.14.14	
Fayette County Minimum Wage Pay Rate	Mossotti	2.10.15	
Right to Work Discussion	Bledsoe	2.10.15	