



OFFICE OF MANAGEMENT AND BUDGET
LOUISVILLE, KENTUCKY

GREG FISCHER

MAYOR

STEVE ROWLAND
CHIEF FINANCIAL OFFICER

December 11, 2014

President King, Councilman Tandy and Councilman Fleming:

In response to your request for a financial impact statement regarding the proposed ordinance to increase the minimum wage in Metro Louisville to \$10.10 per hour, I have prepared the following analysis.

Last month, I presented to the Council what the cost to Metro Louisville would be if all seasonal and part-time employees in Fiscal Year 2014 were employed in the future at a rate of \$10.10 per hour. During Fiscal Year 2014 there were 300,714.73 hours worked which were at a rate of less than the minimum wage being considered by this ordinance. The total cost would have been an additional \$574,734.50 if the proposed ordinance had been in effect. Attached is the cost by department of implementing the proposed ordinance. The additional expense is primarily in Zoo and Parks.

Additionally, you have requested an analysis of what effect this ordinance would have on local tax receipts. This analysis is better performed by an economist instead of the staff within the Office of Management and Budget. The impact this ordinance might have on local tax receipts will be determined by decisions made by individual businesses. Will the business absorb the increased cost, thus reducing their net profits, which will affect the taxes collected, or will they increase their prices to cover the increase in labor costs? How will hours worked by these affected businesses be adjusted? These are questions on which I have no particular insight, but I believe you have heard testimony by several economists on their views on how businesses may deal with implementation of this proposed ordinance.

The ordinance places responsibility on Metro Government to monitor the compliance with this ordinance. My team has researched other cities to determine how they have dealt with compliance to their minimum wage ordinances. An example of a city of similar size which enacted a local minimum wage ordinance in excess of the federal rate is San Francisco, California. Their population is 837,000 compared to our population of 757,000. San Francisco adopted their minimum wage ordinance in 2004. During the 10 years of experience, San Francisco has received 653 complaints ranging from a low of 59 complaints in a single year to a high of 89. Of the 653 complaints 65% or 423 were found to have violations of the minimum wage ordinance.

San Francisco began their compliance program with one Compliance Analyst and has grown to 5.5 FTEs. I am recommending that Metro add one Assistant County Attorney and one Compliance Analyst to administer the compliance efforts as called for in this ordinance. These efforts would be investigating complaints and working with businesses and employees to resolve issues prior to court action. The total cost for these individuals would be \$100,000 annually.

If I can be of any additional assistance, please contact me.

Sincerely,

Steve Rowland