



## Budget, Finance, and Economic Development Committee

June 23, 2015

### Summary and Motions

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Chair Stinnett called the meeting to order at 1:01 p.m. All Committee Members were in attendance. Council Members Gibbs, Akers and J. Brown were also in attendance.

#### I. March 17, 2015 Committee Summary

A motion was made by Bledsoe to approve the March 17, 2015 Budget, Finance & Economic Development Committee Summary, seconded by Scutchfield. The motion passed without dissent.

#### II. Monthly Financial Reports

Bill O'Mara, Commissioner of Finance, gave a presentation of the Monthly Financial Report.

F. Brown inquired about the Employee Withholding line item and inquired what was budgeted for FY16. O'Mara stated he could get this information to Council.

Lane inquired if the unemployment rate has gone down why the employee withholding has not gone up, and inquired if there has been a major loss of revenue. O'Mara stated the slide shows the year over year not compared to the budget. O'Mara stated they have a healthy 3.9% increase over withholding revenues, ending May '15 versus May '14.

Moloney inquired what percentage was budgeted for revenue increase. O'Mara stated they think it will be 3.5%, but can confirm. Moloney inquired if there will be a larger amount than 3.5%. O'Mara stated their total revenue should grow by more than 3.5%.

Melissa Leuker, Director of Budgeting, went over the remaining revenue.

F. Brown inquired about the investment income, \$1.649M actual and if it is an accrual amount. Leuker stated it is an accounting entry. F. Brown further inquired if they budgeted on a cash basis rather than accrual, noting it was a large difference. O'Mara stated they traditionally budget very low, noting they have laddered investments and that their volatility is not accurately reflected by the entry. O'Mara stated it is not budgeted based on cash or an accrual basis.

Moloney inquired about the General Fund surplus, \$800K, and if this is separate from the General Budget. Leuker noted Council did budget \$1.5M from the beginning Fund Balance that will come off of the surplus in October. Moloney inquired about the number they were given in April \$12.96M before the adopted changes and Melissa reiterated the amount.

F. Brown inquired about encumbrance and if it will be included in the variance. Leuker stated the only money in the actual has been expensed out the door. F. Brown inquired how the encumbrance will affect the Fund Balance amount. Leuker stated if there is an open PO they decide to roll over to the next year, it would reduce that number. O'Mara stated they are watching the numbers weekly.

### **III. Local Minimum Wage Ordinance**

Stinnett introduced Dr. Troske, Senior Associate Dean, Gatton College of Business and Economics at the University of Kentucky (UK). Troske gave a presentation of his research on raising the minimum wage. James P. Ziliak, Gatton Endowed Chair in Economics at UK and Director of the Center of Poverty Research Center at UK, gave a presentation of How Taxes and Transfers Change with the Minimum Wage.

Kay stated his concerns about the data presented and inquired how the \$13.75/hr wage is listed as being below the poverty level, and requested clarification. Troske stated he used the American Community Survey and the workers that live in Fayette County and called individuals who earn less than \$10.10/hr low wage workers. Troske explained the calculations he used to determine workers who fall below the poverty line and stated that workers earning \$13.75/hr are under the poverty line because they work few hours.

Bledsoe inquired if there are comparable cities to Lexington who have raised the minimum wage. Ziliak stated no cities of this size have passed a minimum wage raise, he noted there have been some living wage ordinances that have affected more targeted sections of the labor market, but not cities of Lexington's size. Bledsoe presented research her office carried out, noting that Lexington does not live within a vacuum and our choices have competitive consequences. Bledsoe stated she likes a targeted workforce strategy, and that it is easier to track the effects.

Farmer inquired about the statement that "Lexingtonians are poor because they have few skills, little education and face barriers to employment and raising the minimum wage does not address these problems". Farmer inquired if this statement can be quantified. Troske stated there is ample research to support this claim and noted that 50% of long term persistent poverty in area is linked to low education. Farmer requested further clarification and Troske noted he feels a better use of resources is to improve education and jobs training programs. Farmer inquired what raising the minimum wage would accomplish. Troske replied that individuals who kept their min. wage jobs would receive a raise and there would be a very small impact on poverty, and noted that for households whose income would be raised by 40% would only have a 10% take-home pay of that raise. Troske further stated he does not feel an increase would accomplish the goal of helping poor workers and that there are more efficient ways to do that.

F. Brown inquired if the free market and supply and demand principals were applied to these findings. Troske stated they were. F. Brown inquired if they looked at unreported teenage

wages. Troske stated he used similar data to other studies. Brown stated he would like to see other language used to address "poor" workers that has less of a stigma attached to it.

Moloney stated his concern for the amount of people who will lose jobs, noting that the data presented predicts it would be a small amount. Moloney inquired if the state raises the minimum wage, if the same percentage of people would lose their jobs. Troske stated that the percentage would be consistent, and stated that raising the national wage would result in less loss of jobs than a local raise.

Gibbs stated his concern for young people who earn a minimum wage and stated he would like to see the conversation broaden. Gibbs further stated the other items mentioned, such as job training and childcare reforms, might be more effective, but are not necessarily within reach. Gibbs stated he would like to see the minimum wage adjusted for inflation in Lexington.

Lane stated his concern that businesses might relocate to other areas with a lower minimum wage. Lane inquired if Lexington's low wage workers would benefit from a free market system. Troske replied he prefers seeing governments transfer money directly; noting that wage raises is an indirect means. Troske stated his belief that the best way to raise wages is through workers becoming more productive. Troske noted that Kentucky ranks low in higher education nationally and this statistic and others put Kentucky at a disadvantage for attracting industry and noted that addressing education as a root cause is one means of uplifting low wage workers. Lane inquired if wage is increased 39% as proposed, what affect that will have on people making \$10.10/hr. Ziliak stated there is evidence to suggest there will be some pressure on workers making \$10.10 an hour for their employers to increase their wage and stated he predicts this to be small in magnitude.

Famer noted his concern for the outcomes of Louisville's local wage raise and stated that he has questions about the implementation and affects of the ordinance.

Kay stated that the minimum wage has not kept pace with inflation so that the purchasing power of someone earning minimum wage has declined by a significant amount. Troske stated that barriers to higher wages such a low levels of education still allows for individuals to struggle to find employment and would not therefore change their purchasing power. Kay inquired if a higher wage would allow individuals who receive an increase to help themselves address the lack of training and education. Troske stated a 10% increase would not be enough to address education and training on their own. Kay requested that Jason Bailey give further clarification to a prior question. Bailey provided clarification of a prior set of data.

Gibbs stated his request to vote this item out of committee and to give the opportunity for all Council Members to vote.

Lane noted that Louisville has passed a raise to a \$9.10 minimum wage raise and inquired if Lexington's proposed raise to \$10.10/hr would put Lexington into any competition with Louisville or neighboring counties. Lane stated he believes this would raise a lot of inequities.

Troske stated that without the data he is "loathe to comment", but said he believes Louisville faces greater competitive issues to competitors across the river. Lane inquired if a business would have to pay a larger wage for employees who work in Fayette County, but are based out of county. Troske stated he believes if a company has workers in Lexington, no matter where its headquarters are located, he believes they would have to pay the local wage.

Moloney inquired if they have looked at Consumer Price Index (CPI) and noted past issues. Ziliak stated the CPI is a national number and that the bureau does not produce a CPIU for Lexington. Troske stated his research looked at making the minimum wage \$10.10 rather than adjusting for inflation and noted other areas that have adjusted their wage to inflation and stated that over time it can accumulate and become very large, and noted there is a not a lot of data about the long term effects of this route of raising the wage.

Stinnett inquired who funded the research on this issue. Troske stated that his research is self-funded and conducted on his own time.

Mossotti used a portion of her time for public comment. Mossotti gave a brief presentation.

Lamb stated her appreciation for local businesses that increase their wages for employees. Lamb further noted the Jefferson County ordinance and asked for legal input. Janet Graham, Director of Law, stated that the ruling is likely to end in appeal. Lamb stated her concern about the CPI included in the draft ordinance which states there is a cap of 3%. Lamb stated her concern that it will be hard for businesses to gage their budgets.

J. Brown stated that as a representative of the 1st District, he has heard overwhelmingly from those residents that they would like to see the wage increased. J. Brown further stated that he would like to see this moved to the full Council so that all Council Members will have a vote.

Farmer stated Lexington lives in a delicate balance and they do not know what positive effects recent legislation in Louisville will have. Farmer stated the ordinance raises several issues that need to be discussed and noted he would like to see how Louisville handles their local wage raise and believes Lexington should watch this issue and wait to take action.

A motion was made by Farmer to table the local minimum wage ordinance discussion until the Louisville lawsuit has reached its final unappealable order, seconded by F. Brown. The motion passed with a 6 - 3 vote. (Aye: Bledsoe, F. Brown, Lane, Scutchfield, Farmer, Lamb Nay: Kay, Moloney, Mossotti)

Kay stated he would support a motion to table this until after break, but feels that tabling the issue until Louisville's court case is resolved would mean Council would have to start from scratch and would put off a final decision for a long time.

Mossotti inquired how long they believe the lawsuit would be resolved in Louisville. Graham stated the circuit judge who would make the initial decision would be made by July 1<sup>st</sup>, but

there could then be appeals, which can vary from 6 months to a year and a half. Graham stated that following that step, then there could be an appellate review. Mossotti inquired if this could take up to two years. Graham stated that on the short end it could be 6 to 8 months to a year and a half to two years on the far end.

Bledsoe inquired if during a table they still have the ability to discuss the issue outside of committee. Graham stated this is correct.

#### **IV. Items Referred**

A motion was made by Farmer to adjourn, seconded by Moloney. The motion passed without dissent.

The meeting was adjourned at 3:03 p.m.

DS 7.13.2015