



Inter-Departmental Communication

Office of the City Auditor

Date: May 20, 2015
To: Mayor Sylvester "Sly" James Jr. and Members of the City Council
From: Douglas Jones, City Auditor *Douglas Jones*
Subject: Responses to Councilmembers' Questions Related to the Living Wage Ordinance

During last week's Committee As A Whole discussion of the Living Wage Ordinance, the City Auditor's Office was asked to collect questions from councilmembers, forward those questions to experts/city staff, and provide responses to the Mayor and City Council. Following are the questions we received from councilmembers and the responses (if any) to councilmembers' questions.

1. What would be the impact on the proposed convention hotel? (Councilwoman Marcason)

(Michael Burke, Burke Payne LLC) The financing plan for the hotel does not anticipate a large increase in wages. Were that to occur it would cause our financing to fall short of expectations and require additional subsidy of some sort. We are at a very tricky time to negotiate a hotel project in Kansas City. Major changes could put the entire project in jeopardy. We support the position of the Hotel Association of Kansas City.

2. What caused the divergence between productivity and wages in the 1970s? (Councilwoman Marcason)

(Peter Eaton, Ph.D., Director, Center for Economic Information, Department of Economics, University of Missouri-Kansas City) I have some definite opinions about this. But it's a complex question. There was a conscious and very successful effort by those who believe strongly in the virtues of the free market to overcome what they perceived as an attack on the free enterprise system. Look up the Powell Memo (1971) which was a call to arms to reduce regulation promote the "unfettered market" Powell would later be appointed by Ronald Reagan to the Supreme Court. His opinions ultimately resulted in corporations being treated like people with free speech. Starting in the early 70s, institutes and think tanks like the Cato Institute and ALEC and the Heritage Foundation began to spring up and promote the idea that government is bad and that unions are bad. There is a lot more that follows, including deregulation of the financial system, income tax reform. This is the beginning of the argument. Basically it is a reduction of power by labor accompanied by an increase in power by business interests.

3. What impact would increasing minimum wage have on benefits that are currently provided (especially child care, food stamps, housing assistance, transportation assistance)? (Councilwoman Marcason)

(Amy Blouin, Executive Director of the Missouri Budget Project) No response received.

4. If the minimum wage is \$10/hour in Los Angeles, what would the rate need to be in KC to achieve the same level? (Councilwoman Marcason)

(City Auditor's Office) Based on several online cost of living calculators, a \$10 per hour wage in Los Angeles would be comparable to about \$7.43 in Kansas City.

The City Council also asked the City Auditor's Office to identify and forward any studies, reviews, or media articles related to minimum/living wage issues or outcomes in Chicago, IL; Oakland, CA; San Diego, CA; San Francisco, CA; Seattle, WA; and Washington, D.C. We sent an email to the Mayor and City Council on May 15, 2015, with links to studies, reviews, or media articles related to those cities. We also sent the Mayor and City Council an email on May 20, 2015, with additional links to websites or documents with general information related to the minimum/living wage issue.

Please contact me if you have any questions.

cc: Troy M. Schulte, City Manager