

Hello,

I just saw the announcement about the \$15/hr wages in Saint Paul and find myself very disappointed. The phase in is extremely slow, cutting most of the teeth of the ordinance, so it will need to be updated by 2027. But more importantly, the lack of a tip credit is nonsensical and counter to the progressive ideals that those putting forward \$15/hr claim to hold. The division between front and back of the house wages at restaurants is one of racial and class equity. Tips perpetuate this problem because you have often white, front of the house workers making \$30/hr while back of the house workers are being paid \$10-15/hr.

An increase in minimum wage would bring up the wages of back of the house staffers. However, without a tip credit, the wage gap will continue. I urge you to sit down with restaurant owners and workers around Saint Paul and to look into this issue more deeply.

Sincerely,

Wes Burdine

Council,

9 years is too long to phase in a much needed raise for the folks working every day to make our city work. I am pleading with you to shorten that frame. Lift our people up. Empower them. Pay them something they live on sometime before the next decade.

Tom Basgen
Highland Park

Dear Councilmember Nelson,

This email is to voice my concerns about the \$15 minimum wage proposal and the need for more police officers. Although I realize everyone's mind is made up on these issues it is important for you to know not everyone agrees, and I'm a Democrat.

As for the \$15 minimum wage, I feel it is not business friendly and will be costly to not just businesses but tax payers too. It will not attract new businesses and other businesses may leave and/or pass the additional costs to us. As you know, this will add to the payroll expenses of the city and other government agencies (schools, non-profits supported by grants or other public funds) not just to raise everyone to \$15 but because of others who are already making that wage would (rightfully so) expect more as well. I certainly believe major companies, like Walmart, should be paying more but it ultimately should be a market decision. Companies will cut hours and the last to be hired are those who can least afford it, the lowest skilled and those without diplomas or English language skills. I have a hard time supporting a kid working a part time summer job earning only a few dollars less than a substitute teacher and many other jobs that require a college degree. I just don't think the city can afford it. I am also concerned about Parks and Rec being able to staff and provide adequate programming with this additional cost, which impacts the next issue.

I support the hiring of additional police officers. Our city is growing and I want our law enforcement to be able and ready to handle the increased needs. I want them to be well trained and integrated in the areas they serve. I support the Chief's plan to have them work in a community support capacity before going to patrol. In a year, we will have this beautiful new stadium in our neighborhood and I would like to know my neighborhood will remain peaceful so that all can enjoy it. Police are not the enemy, they ensure safe and orderly events. The stadium is just one of the many important community attractions in our city and we want people to feel safe here and to be confident that police are able to respond in a timely manner. The increase in response time is a major concern and needs to be a priority.

Thank you for your work and I appreciate the intentions behind these stances, however, I just can't support them as proposed.

Sincerely,
Amy Stotzheim
1199 Thomas Ave.

Barry B. Cohen
1750 Ashland Ave.
St. Paul, MN 55104
651 335-6633

October 10. 2018

Dear Council Member Nelson,

I wholeheartedly support a 15 dollar an hour minimum wage for our city which on the face of it would appear to be of tremendous benefit to low-wage workers in our city. Of concern to me however is the length of the phase-in. I encourage you and the council to phase it in more quickly to keep pace with inflation.

The proposed minimum is only close to a living wage for a single worker without a family. I invite you to look at the living wage calculator developed by an MIT economist <http://livingwage.mit.edu/>. Today in Ramsey County a living wage for an adult with one child would be 26 dollars an hour. Rents are spiraling out of control well above the overall inflation rate. Most low-income people in our community are spending as much as two thirds of their income for rent and utilities. By the time the proposed minimum wage kicks in its value relative to inflation will be significantly diminished and while higher in value than the current minimum won't be close to a living wage.

The rent can't wait. I know that you, the Mayor and others on the Council realize that affordable workforce housing is an important piece of the puzzle and encourage you to proceed as quickly as possible in making quality affordable housing available to our low-wage citizens.

I also ask that you, the Mayor and the Council consider more strict enforcement of wage and salary laws. From the experience of my children who have worked in the restaurant industry I know first hand that wage theft is rampant particularly in time off the clock. Workers are expected to come in an hour or more before opening and only punch in at opening or at end of the night punch out at closing and stay after to clean and prep for the next day. Workers are told they can't have more than 40 hours on the clock, so owners don't have to pay time and a half. Many will hire part timers and split their time over a week to avoid overtime. There are owners of franchises who pocket the tip jar. Another practice is hiring workers on the promise of an increase after a six-month probationary period and laying them off on the day the promised increase would go into effect.

Why don't more workers file complaints? They know if they do they will never get another job. Few are covered by union contracts and can't afford to take on unscrupulous owners including undocumented workers who can't risk reporting them. Many owners who engage in these practices are prominent restaurateurs who whine about a new minimum threatening their livelihoods. I have subsidized these businesses far too long because I could afford to help my kids out by putting up a damage deposit or paying their bills for a dentist or car repair. Most low-income workers don't have that kind of support.

As has been mentioned in some of the hearings on slow days workers are 'cut' and sent home after incurring transportation and parking expenses. In short, expenses for workers are a constant, weekly wages not predictable. Restaurant profit margins are notoriously thin (3-4%), and I appreciate that for over a century, restaurants have been a first business for many immigrant families. 'Sweat equity' of the sacrifice generation have put their children through college and on the path into the middle class. These businesses however rarely have many employees outside of their immediate or extended families and the minimum wage increase will not have much of an impact on them.

Please consider a more rapid phase in for the reasons I've cited. My preference would be for a 20 dollar an hour minimum but understand that politically its more than the traffic will bear.

Thank you, Council Member Nelson, for supporting the minimum wage increase. I voted for you in the recent election because I thought you to be the more progressive of the two candidates and was disappointed by how many of my neighbors supported your opponent. I wish you well going forward.

Sincerely yours,

Dr. Barry B. Cohen

From: T. F. <tpie37@hotmail.com>
Sent: Wednesday, October 10, 2018 4:27 PM
To: #Ci-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Tip Credit

I support the restaurant industry in St. Paul and I support a tip credit- YOU SHOULD TOO.

Thank you for your time!

Sincerely,
Tracy

I support the tip credit for servers in Saint Paul. Please seriously consider an exemption for these folks. Why not save restaurant owners a bit of money and allow those professionals to make what they have worked for years to earn? The quality of the restaurant experience in Saint Paul will thank you.

Thanks for your consideration.

Marysue Moses
Hoping to continue to dine out in Saint Paul

I support the restaurant industry in St. Paul and I fully support a tip credit - YOU SHOULD TOO! A model that looks good on paper rarely ever works when implemented, especially when it comes to someone's pay!

If a tip credit doesn't come for our industry, have fun going to all the restaurants you used to love to go to and wonder "why is the service here so bad?" "Why is everything so expensive?" It's bad for our local businesses and bad for our industry! Support a tip credit please!

Good afternoon,

During the Citizen's League process the Restaurant Opportunities Center agreed to debate me in written format about the tip credit focused specifically on St. Paul and our local economy. After we submitted our opening arguments and first responses to those open arguments, they withdrew from the debate citing that they "didn't like the content". Because of their withdrawal, I only have access to both opening arguments and my first rebuttal to their opening.

There is a lot of information in my opening argument that is not provided in the debate portion. The debate portion is their opening argument with my rebuttals. Please read both. In the rebuttal you can see not only common sense responses to their claims, but economic and statistical responses.. (Please note that every study cited by the opposition to a tip credit is created by either ROC or David Cooper from EPI who openly talks about how the system of tipping should end.)

I hope this back and forth debate style document helps clarify any questions that you may have.

Patrick McGuire, a well know blogger about the restaurant industry also did a broader tip credit debate between my organization (tip credit supporters) and the One Fair Wage campaign. It is a two part series that really dives into claims from both sides, national data on the subject, history and pro formas.

Part 1. <http://www.servernotservant.com/2018/05/03/saru-jayaraman-fekkak-mamdough-roc-united-leadership-members-is-one-fair-wage-really-fair-for-all-tipped-minimum-wage-part-1/>

Part 2. <http://www.servernotservant.com/2018/08/06/is-lobbyist-roc-uniteds-one-fair-wage-really-fair-for-all-workers-tip-credit-and-tipped-minimum-wage-part-2/>

I've heard council members say that not recognizing tips as income is the "status quo" and they are concerned about disrupting that. To the contrary, the status quo in our community is servers making \$9.65 plus tips and cooks making around \$13-14. If you raise the wage for servers by \$5+ and only raise kitchen wages by \$1, you'll be disrupting our status quo. If restaurants have to go to service charge models and it affects our tips, you'll be turning our status quo (and our livelihoods) on its head.

Please read this debate carefully and ask yourself if you can in good conscious side with an out of state special interest group (ROC) over the thousands of workers in this important St. Paul community. We have shown via petition and via physical presence that the support for a tip credit vs. against is more than 10-1. Now we need your support.

Cheers

Jennifer Schellenberg

Bartender, Northbound Smokehouse & Brewpub

President, Restaurant Workers of America

Argument for a tip credit:

Safeguarding the culture, flexibility and treatment of tips as income and the tip credit wage in America's full service restaurants is paramount to saving the industry and crucial to the protection of well paying tipped jobs.

The restaurant industry excels in providing an accessible path to ownership and management without a formal education, and for women and people of color. According to the [Bureau of Labor Statistics](#), the Food Service Industry has the highest concentration of Latinos in management jobs, the 3rd highest for Asians and is among the top 10 for African Americans. According to the Metro Council [study on concentrated poverty](#) in the Twin cities from Feb 2017, 98% of the income received by those living in poverty is working income and only 2% is received via public assistance. Meaning: any proposal that puts these vulnerable first tier jobs in jeopardy puts our most vulnerable population at risk. Zero income is something this population cannot afford to accept. In March of 2017, the Minnesota Restaurant Association [conducted a survey](#) of its members to find the hourly earnings as is reported to the IRS for employees in the restaurant community. The results of this survey, which included large and small restaurants of varying price points and locations in the city, showed that support staff positions (such as busboys and hosts) make \$12.64 on average, line cooks averaged \$13.89, and tipped workers averaged \$28.56. Although the results of this study show that the average restaurant worker in each capacity is above the poverty line in the Twin Cities, the large majority of the restaurant community supports the need for wage increases to those living near the poverty line. This is why the majority of the restaurant community has fully supported the Fight for 15 in St. Paul. The caveat? We want a Tip Credit.

What is a Tip Credit?

A tip credit is part of a pay model utilized by 43 states in America because it allows for the high labor, person count model a full service restaurant demands. A tip credit is the dollar amount that makes up the difference between the tipped tiered wage and the prevailing minimum wage. It allows the restaurant/workers to count the taxable tipped income of the server toward the prevailing minimum wage while also, by law, guaranteeing that the employee makes the full minimum wage at all times.

Why do we want a Tip Credit?

It's not politics it's math. As the cost of goods and labor rise, the business model that most full service restaurants currently operate under becomes compromised. The current business model that full service restaurants operate under benefits all four parties that participate in American dining culture:

- -Guests pay varied affordable prices for food and drink while enjoying hospitable and accommodating services.
- -Servers work under an incentivized pay model which allows them to make much more than the minimum wage, on average over \$28/hr, without formal education, and have the ability to increase their own pay based on performance and individual initiative. The current model also allows for a flexible schedule, where tipped servers can earn more money in a shorter period of time than working at a flat minimum rate.
- -Businesses can employ professionals while offering reasonable menu prices to guests, encouraging patronage.

- -The IRS/City of St. Paul earn tax revenue from the business as well as the income (hourly and tipped) of its employees, especially in this moment where 90% of sales are paid for through trackable credit card transactions.

Restaurant Economics and Razor Thin Profits

In restaurant accounting, Prime Cost is the total cost of a restaurant's goods sold and the total cost of their labor which includes payroll taxes, benefits and payroll insurances paid. The [target prime cost](#) for a restaurant to achieve profitability is 65% of the business's gross sales. With net profit margins ranging [between 2-6% for most restaurants](#), the proposed 58% increase in labor costs for FOH employees is one that - regardless of phase-in time - will force dramatic changes to these business models, or closure entirely. A labor heavy, full service restaurant financial model is dependent upon having Prime Costs under 65% for viability. The SBA understands this and [funds on this model](#). An upheaval of this system results in the failure rate we see on the West Coast where they have not yet reached \$15/hr as a tipped minimum wage but have shown consequences as the minimum wage rises toward it.

- In an effort to explain how sales are divided before they become profits or wages a Twin Cities restaurant owner and I put their 2016 Profit and Loss Statement into a proforma to show how this wage increase and subsequent menu price increases will affect the business by 2024.
- The first column is the 2016 P&L statement broken down into separate categories. We can see that in 2016 this business made 2.04% in profits.
- The center column shows us what the cost would look like if we simply increased wages to \$15/hr without making changes to hours for employees, or menu prices. The deficit of \$300,300 in this column is 12% of the business' sales.
- The third column reflects menu price increases of 20% across the board. Using an Industry standard numerical value for the common economic law, called the consumer Price Elasticity of Demand, (PEOD) (full service restaurants have a PEOD value of 2.3), which means, for every 1% we raise our prices, we lose 2.3% of our customers. Even with a drastic menu price increase of 20% by 2024 this restaurant will lose half of its profits, now showing 1.04% profitability. It is important to note that this proforma does not account for ANY inflation and there is a strong likelihood that the 1.04% in remaining profits will be consumed by inflated cost of goods.

Evidence of Consequences

JOB LOSS- The most immediate adjustment that we will see restaurants make as FOH wages rise is the loss of support staff positions/jobs. Red Robin is a good example of this on a national scale, as they [just announced](#) in January that because of wage hikes across the country they will be eliminating all busser positions at their 570 stores. Last year they eliminated all expeditor positions. These support staff job losses are; devastating to the first rung of the employment ladder, will diminish the dining experience of our guests and will certainly jeopardize the success of a business that earmarked these positions as part of their customer service plan.

REDUCED HOURS- Without a tip credit, [we will also see a reduction in hours](#) and jobs in both tipped worker positions and the back of house. As restaurant industry experts suggest, to help better control profit margins restaurants will need to add more workload to hourly staff and

management so less staff is needed. This includes hiring less full time workers in exchange for more part time workers, giving servers larger sections, which make it more challenging to give good service, as well as reducing the menu to cut out prep time and kitchen positions. As a result there will be fewer jobs that qualify for healthcare benefits, less available jobs and less stability for those working in the restaurant community.

WAGE STAGNATION- One of the most disturbing parts of raising the minimum wage without a tip credit in the restaurant industry is [stagnation in BOH wages](#). In Minneapolis for instance, the minimum wage will increase by \$0.75 per year until the year 2024 when wages will reach \$15/hr. The average hourly pay of a line cook currently is \$13.89, - well above the current minimum wage. The market demand proves that the need for talent has led to pay increases in this segment, but a mandate for a drastic minimum wage increase of \$10,400 per employee in the FOH, will eliminate merit based increases for the BOH as we approach 2024.

BUSINESS CLOSURES- To add clarity to the gravity of this cost, by the year 2024 a small restaurant that employs 20 full time FOH employees will now be paying an additional \$228,800 in wages for those 20 employees alone. We also have to take into consideration the additional costs of doing business due to the overriding minimum wage increases that impact our vendors and service providers: food and beverage, linens, paper products, payroll tax liability, workers comp, liquor liability, FICA, Medicare, unemployment insurance, sales tax, insurance and credit card processing fees, it will be a deluge of cost increases. This wage escalation, and it's consequences, will [break the economic model](#) of full service restaurants without a tip credit because the profit alone does not sufficiently cover the new costs.

DECREASE IN OVERALL INCOME- [In a study done by the US Census Bureau](#), they analyze why some data does not accurately reflect real income of tipped workers and how tipped minimum wages affect both employment of tipped workers and overall income. They found that "An increase in the tipped minimum wage has a quadratic relationship with sector employment, where employment first increases, levels out, and then decreases as the tipped minimum increases... the results provide evidence on the welfare effects of tipped minimum wages on servers, showing that, while overall compensation may not change, servers benefit from higher employment over a wide range of the tipped minimum wage."

West Coast Trials

Because restaurateurs on the West Coast have had difficulty making the math equation work, many have been experimenting with ways to keep their businesses afloat which unintentionally harmed their tipped workers.

NO TIPPING OR HOSPITALITY INCLUDED MODEL- This tip free model diminishes the pay of servers down to minimum wage and increases menu pricing by 20-40% for customers. [High profile restaurants](#) have experimented with this model to limited success even in large metropolitan areas [like NYC](#). Most restaurants that try this model in less populated areas revert back to a tipping model due to; customer complaints about prices, server attrition and a significant decrease in dining volume. This model ends with guests paying more, and the server making less.

COUNTER SERVICE- We're also seeing a [large number of restaurants](#) switching to a Counter Service model on the West Coast. With this model change, restaurants can cut staffing dramatically by reducing the service level for guests. The counter service model reduces the need for FOH staff by 60% and categorically changes the service experience, which obviously does not work for all menu concepts.

AUTOMATION- On the West Coast and in large chains across the country, restaurants are responding to extraordinarily high labor costs with eliminating FOH jobs and [moving to automation](#). Increasing labor costs by giving ‘raises’ to the highest paid employees in restaurants will undoubtedly accelerate this trend, which has the potential to kill thousands of well paying, professional service jobs.

JUST CLOSE- Lastly, on the West Coast we are seeing larger than average full service restaurant exit. Harvard did a study in the Bay Area with data from 2008-2016 correlating the minimum wage, Yelp ratings and restaurant closures. In 2012 the Bay Area had a thriving restaurant scene- the most restaurants per capita in the country- of which 60% of restaurants had a 3.5 star yelp rating of lower. What the research showed is that with each dollar increase in the minimum wage, the likelihood of exit for a [3.5 star restaurant increases by 14%](#) while restaurants with higher ratings (generally fine dining/more expensive restaurants) were insulated and experienced little change. The Bay Area will reach \$15/hr without a tip credit in July of 2018 and has reported bursts of [over 60 restaurants](#) closing in a 5 month period in the since 2016 as a result of the minimum wage, referred to by the press as “[The Death March](#)”.

TIPPED EMPLOYEES ARE NOT ASKING FOR THIS- The fact is that servers prefer to make their income via tips. In 2016 Upserve did a survey of almost 1,000 servers and found that 97% of [servers prefer the traditional tipping model](#) over a flat pay rate. In a second survey done in 2017, In another study, Upserve found that in states where the minimum wage increased, 73% of servers reported no increase in take home pay. In fact 24% actually [reported noticing a decrease in tips](#) received. When asked if they would prefer a higher wage over tipped income, only 1% said yes, while 27% said it would depend on the size of the wage increase and the majority, 69% said that tipping supplements their income more than any wage increase ever could.

Conclusion

Preserving or instituting a separate tipped wage is one of the only mechanisms available to protect restaurants from an unsustainable minimum wage increase in their labor heavy, full service restaurant models. Tipped employees prefer their current commissioned compensation format over an unintended pay reduction, cloaked as a raise to minimum wage when tips are eventually removed by customers due to drastic menu price increases. All servers are already guaranteed minimum wage but prefer to generate better personal income with tips.

\$15 Minimum Wage in Saint Paul, **Tip Penalty** vs. [Tip Credit](#)

The Restaurant Opportunities Center of Minnesota (ROC MN) is a movement led by local restaurant workers, employers, and diners striving for higher standards in our industry.

[ROC MN is a chapter of ROC United. They are a special interest group from NY and CA which was originally founded and funded by Unite HERE. Although it is not technically a union, it acts like a union and often receives funding from unions. Does ROC have any members in St. Paul?](#)

In St. Paul, for over 30 years, we have had one wage for all workers and we have created a thriving restaurant scene predicated on higher wages for workers. St. Paul is a leader in the effort to support working families and we should be proud of our commitment to an equal pay structure.

Minnesota does not have “one wage for all workers”. The 2014 legislation provides 5 tiers to the wage: small employer, large employer, training wage, youth wage, and international student wage. Our law doesn’t recognize the importance of tips but is complex in other ways. Minnesota has also had 30 years to phase in this high wage for tipped workers- which is quite different than the accelerated 58% that we would be proposing just two years after a 30% increase in a relatively short period of time. Our progress thus far can be continued with an ordinance that recognizes the unique pay structure that full service restaurant workers prefer. With the tip credit that we have been proposing for St. Paul, we will be able to have pride in touting the highest tipped tiered wage in the United States with unique worker protections unseen elsewhere and one of the highest guaranteed wages (\$15 minimum) in the country.

We have seen the industry and workers’ well-being blossom under an equal wage system, so it only makes sense to support an ordinance that would maintain One Fair Wage (OFW) for all workers across our city, across age, and across industry. Our industry’s success shows that any carve-outs for our industry are unnecessary and would only harm workers and damage the industry in which we work.

Our industry’s success shows that what we have done so far has been, for many, positive upward movement. Our past success does not indicate in any way, shape or form what influence carve-outs or what a drastically higher minimum wage without them will have on the restaurant industry moving forward. (In short, past success with different circumstances and variables is not a reasonable way to project the future with a proposed ordinance of this kind)

What restaurant owners might refer to as a tip credit, is a tip penalty for workers since they must discount tips from their wage. A tip penalty in St. Paul should not be considered; it would roll back 30 years of worker protections and leave tipped workers in a more vulnerable position. We support a \$15 minimum wage in St. Paul that leaves no worker behind.

Tip Penalty is inflammatory language that is not legally or formally recognized by any government entity (if this were a forum discussing the rights of ICE to interfere in sanctuary cities, we would not tolerate opposition referring to ICE as gestapo. I expect the same professional decorum from participants in this conversation as well). It is legally referred to as a tip credit whether you agree with it as a policy or not.

Keeping the wage for tipped workers at the state minimum (the highest tipped tiered wage in the country) in no way “rolls back” any progress, and a tip credit does not remove ONE SINGLE worker protection. Not a single worker in St. Paul will be “left behind” if we have a tip credit, as the tip credit guarantees the full minimum wage for every worker at all times.

The restaurant industry in St. Paul, and Minnesota at large, is flourishing. In 2017, after several years of raises to the statewide minimum wage from \$6.15 to \$9.50, industry sales in Minnesota were projected to reach \$9.7 billion. With a one wage system in place, restaurant industry employment reached 9% of total employment in the state.

These projections are based on the wage rising with inflation, not with the proposed ordinance, making the correlation between this projection and a \$15/hr wage without a tip credit proposal disingenuous. Gross sales numbers that lump all food service types into single sales figures aren’t very helpful if we’re looking for ways to preserve and enhance the best paying jobs, those in full service

restaurants. The full service segment of the restaurant market, where the good paying jobs are found, is encountering significant headwinds currently. A recent Twin Cities Business Magazine interview with Kim Bartmann, owner of 8 Minneapolis restaurants, reported that her sales are down about 15% since 2016 and that her margins are near 0%. National data from NPD market research reports that casual dining restaurants with table service, Bartmann's niche, are seeing declining sales across the country. Traffic in that category was down 4 percent in 2017, while visits to fast-casual, counter service, restaurants were up 7 percent. NPD also found that the number of independent U.S. restaurants dropped by 3 percent in 2017, and the number of full-service restaurants dropped 2 percent that year.

Anecdotally, established St. Paul restaurants Fern's, Ward 6, Muddy Pig, Wild Onion are closing for their own reasons but aren't a sign that the St. Paul market for table service places, where the good paying jobs are found, is "flourishing".

When comparing Minnesota restaurant industry sales to that of our neighboring subminimum wage states, Minnesota surpasses North Dakota's and Wisconsin's projected sales. When comparing to New York, a state with one of the largest restaurant industries, we see that Minnesota's industry sales growth between 2016 and 2017 nearly equaled that of New York.

With five times the population of North Dakota it would be a surprise if Minnesota restaurant sales weren't higher in restaurant sales than North Dakota. Minnesota's economy is about 10% larger than that of Wisconsin. The 2017 gross state product figures are \$339 billion for Minnesota and \$313 billion for Wisconsin. [GSP for ND is about \$58 billion.] This has an impact on restaurant sales. Industry growth is a difficult metric because it combines quick service, fast casual and full service segments, which have dramatically different pay scales for their employees.

In fact, states with one wage for all workers, including Minnesota, show positive Full Service Restaurant Employment (FSRE) and Full Service Restaurant (FSR) establishment growth. The number of full service restaurants (FSR) in Minnesota has steadily increased throughout the last five years, contrary to naysayers who say a higher minimum wage will reduce employment and growth.

Data from the US Census Bureau's Quarterly Census of Employment and Wages shows that there were 3,565 full service restaurants in Minnesota in the 3rd quarter of 2013. That figure for the third quarter of 2017 had fallen to 3,523 This shows a 1.2% decrease in full service restaurants since 2013, not a "steady increase" - showing the current vulnerability of FSR in Minnesota.

In 2016, the number of FSRs in Minnesota increased by 1.5 percent.²⁰ Minnesota even experienced growth at a time when some neighboring states experienced a decline. In Iowa, FSRs experienced a 0.4 percent decline. While in North Dakota, the industry experienced establishment growth, with a 1.6 percent increase, but experienced a 4.3% *decline* in employment.

This has more to do with the strength of our economy than the fact we don't recognize the importance of tips. Remember, Minnesota [has one of the highest Fortune 500 companies per capita rate of any state in the U.S.](#) and a much larger GDP than surrounding states.

Minnesota's restaurant industry has seen more employment growth than neighboring states with subminimum wages. When comparing FSRE growth rates (2011-2016) with neighboring subminimum (and stagnant) wage states--Wisconsin, Iowa, North Dakota, and Illinois.-- Minnesota has consistent and higher FSRE growth rates.¹⁹ Minnesota's growth rate was over double that of Iowa and North Dakota.

While Minnesota's economy has outperformed these surrounding states and is likely the reason why we have seen growth in the full service restaurant sector, it's important to note that even with rising FSRE growth rates, Minnesota has significantly less restaurants per capita than any of these neighboring states: Iowa, North Dakota, South Dakota, Wisconsin and Illinois. This is further evidence of restaurants being more difficult to establish and maintain with a higher wage and no tip credit.

Amidst rising wages, our restaurant industry employment is expected to continue to boom. Restaurant industry employment is projected to increase by 8.8 percent through 2027.

Again, These projections are based on the wage rising with inflation, not with the proposed ordinance, making the correlation between this projection and a \$15/hr wage without a tip credit proposal disingenuous.

In Minnesota six of the ten occupations with the lowest median wage are in restaurants, and seven of the ten are tipped occupations. We are fighting to increase the minimum wage for the lowest wage-earners in our city, many of those workers are in our industry. Workers in our industry should not be left behind.

In regards to not being left behind, the tip credit that we are fighting for would tie the tipped tiered wage to the prevailing minimum wage by percentage in efforts to maintain the status quo as the prevailing minimum wage rises with inflation.

BLS statistics are not reliable for the tipped income category for many reasons that they will tell you themselves. BLS data is acquired through a voluntary survey that is filled out by less than 1% of restaurants. The category for tipped worker is specifically defined as excluding "coffee shops and counter service", though when discussing this with the director of our category he said the delineation between those concepts and "server" is if the worker goes to the table, so even counter service concepts where they run your food to you are included in this category. To boot, he told me that none of their data is corroborated with tax documents and it is possible/likely that for the Server and Bartender category many owners may only be submitted their hourly rate and failing to report their claimed tips in these surveys.

It is common/general knowledge in the full service restaurant industry that servers often earn twice as much as cooks with tips and often more than their managers, and that this disparity is a

common problem and struggle in our business. This is why mandatory tip sharing has been a political and legal issue recently (see Surly and Bunny's lawsuits with damages calculated in the millions of dollars)

In the metro area, the food service industry is one of the largest employers of low wage workers that would be impacted by an increase to the minimum wage. Creating a carve-out for one of the largest employers of low wage workers would carve out the effectiveness of a minimum wage ordinance in St. Paul.

Being that our industry is one of the largest employers in the metro, I would argue that we need to approach changes to this industry pragmatically and cautiously. A tip credit will still guarantee tipped workers the full minimum wage, while elevating the pay of those in non-tipped positions. For full service restaurant workers, this means a small pay increase for them as well; When non-tipped workers see a pay increase, menu prices will increase slightly, and as commission based sales people, tipped employees will see a slight increase in tips as a result.

Tips are not wages. Tips are understood as extraneous or supplemental to a wage. There is no example of workers being penalized, or employers being rewarded, for a worker's supplementary income in any other industry. A tip penalty, would do just that: It would reward employers with a reduction in their labor costs, and penalize workers for their supplementary income.

-the tip model is simply an alternative and symbiotic compensation model in which menu prices are kept low to keep volume high, allowing servers and bartenders to capitalize on customers' cultural preference to pay servers directly far more than they would be willing to pay the owner.

-There is also no example of another industry where hourly wage workers make the majority of their income via tips. To say that a tip credit shouldn't be used because there is no other industry that uses anything like it is disingenuous as it ignores the fact that there is no other industry that operates like the full service restaurant industry.

-Tips ARE wages as defined by the Bureau of Labor Statistics: A wage is money that is paid or received for work or services performed in a specified period. Base rate pay, cost-of-living allowances, guaranteed pay, hazardous-duty pay, incentive pay such as commissions and production bonuses, and tips are included in a wage.

-Tips ARE wages as defined by the Merriam Webster dictionary: a payment usually of money for labor or services usually according to contract and on an hourly, daily, or piecework basis

-Tips ARE wages as defined by BusinessDictionary.com: Monetary remuneration computed on hourly, daily, weekly, or piece work basis.

-Tips are recognized as a source of income (synonym for wage) by all government agencies: IRS, FICA, Department of Revenue so much so that language has been added to minimum wage laws to clarify specifically tips can't be counted to meet minimum wage and are taxed as such.

Citations: https://www.bls.gov/oes/current/methods_statement.pdf

<http://www.revenue.state.mn.us/businesses/sut/Pages/Restaurants-Bars/Tips-Services-Rentals.aspx>

<https://www.merriam-webster.com/dictionary/wage>

<http://www.businessdictionary.com/definition/wage.html>

<https://www.irs.gov/businesses/small-businesses-self-employed/reporting-tip-income-restaurant-tax-tips>

David Cooper, economic analyst from the Economic Policy Institute, notes that a penalty for supplementary income would not be tolerated in other industries in a [2017 Working Economics Blog post](#) : "Imagine if other professions operated this same way. If every time a car salesperson made a sale, the dealership subtracted that commission from the salesperson's salary, I suspect there would be considerable outrage and it would be a lot harder to hire and retain car salespeople. Yet we allow tipped workers—particularly in restaurants—to suffer this indignity all the time."

In accordance with the FLSA, commissions can be used in lieu of an hourly rate as long as those commissions exceed the requirement, so this is already, actually a thing. Clarification: This is tolerated in commissioned sales jobs.

-David Cooper has also been quoted as saying, "" Doing away with the separate lower minimum wage for tipped workers is a good start, but there's ample evidence that we should abandon the practice of tipping altogether."

Citation: <http://www.insidesources.com/counterpoint-tipped-workers-get-paid-way-everyone-else/>

In St. Paul, tipped workers are able to make the minimum wage and supplement that wage with tips. In an industry that offers [health care to only 30% of its workers compared to 70% of other private-sector workers](#), we depend on our wages and our supplementary income in tips.

-Before the wage increase to \$9.50 in Minnesota, my employer was working on a roll out for healthcare at our restaurant. We also had half priced meals, an annual employee camping trip where we closed down for a few days and a scratch kitchen with 6 more BOH employees than we do now. The loss of all of those things is a direct result of raising the wage to from \$7.25 to \$9.50. Nothing about raising the wage for tipped workers will help our accessibility to healthcare. If anything, our lower base pay makes state healthcare MORE accessible. As it stands, our current minimum wage gives workers accessibility to MNSure. \$15/hr prices minimum wage workers out of eligibility. If healthcare accessibility for those living in poverty is your main concern you wouldn't be pushing for a \$15/hr minimum wage

Citation: <https://www.mnsure.org/shop-compare/financial-help/income-guidelines/index.jsp>

Introducing a tip penalty in St. Paul would open the door to wage theft for vulnerable workers. [The tip penalty system leads to some of the highest rates of wage theft of any other industry.](#) While Federal law states that if workers do not receive enough in tips to earn the hourly minimum wage employers are to pay the difference, we see this routinely violated.

-I'm glad that we can both acknowledge that adherence is the law. If wage theft is a major concern with a tip credit, then we should be looking into more effective methods of enforcement.

-If this argument is to be entertained, then the root of their argument is that we shouldn't have any laws because someone might not comply with them.

-To boot, the type of tip credit that we, the workers, have been fighting for in the Twin Cities is an opt-in model with strong compliance standards and the harshest non-compliance consequence in the country. If we make the use of a tip credit an opt-in model: aka employers must apply for the right to use it and adhere to those specific reporting standards, then we make it a simple and harsh consequence for non-compliance by taking the right to utilize this tiered wage away from the abusive business.

A national compliance sweep by the U.S. Department of Labor reported that 83.8 percent of restaurants had some kind of wage and hour violation, including over 1,000 tip credit violations, which led to nearly \$5.5 million in back wages.

Non compliance already exists without a tip credit. Not allowing for a tip credit does not ensure that workers are protected from wage theft. Again, if compliance is the primary concern then we should be discussing how to solve that issue separately, rather than making an assumption that any particular model of pay provokes this issue.

Food service workers experience over 25% of all minimum wage violations nationally. This is the largest share of minimum wage violations for any single industry. The next highest industry accounts for less than 15% of wage violations.

Food service workers as a category covers a broad range of employment all the way out to food packaging in factories. Not only is this non-specific, but I would reiterate the above points.

Part time workers are more than three times as likely to experience minimum wage violations and over half of all tipped workers are part time workers.

Same study, same criticisms.

Same concern, same counterpoints.

For over thirty years, a single wage for all workers in our industry in St. Paul has protected workers and employers from the risks of wage theft that are ubiquitous in tip penalty states.

For the first 62 years our state was established, women were not allowed the right to vote.

For the first 155 years our state was established, the LGBT community was not allowed to marry.

Simply going along with a measure out of tradition is not a righteous or compelling argument.

The most progressive thing to do is to look at how an idea will impact those intimately tied to an issue and assess what will help those individuals moving forward. In this case, that is a tip credit for the full service restaurant community.

If a tip penalty were introduced, Saint Paul restaurants would be the only restaurants in Minnesota forced to calculate pay for each hour a tipped employee works to ensure no one falls below the minimum wage, a heavy liability.

Every national payroll system is already set up to quantify wages with a tip credit, as this is common practice in 43 other states. This is not a burden or liability that ANY owners have raised.

A tip penalty increases poverty rates for tipped workers and decreases pay. Between low wages and the precariousness of tips, tipped workers experience two times the poverty rate as the overall workforce.

-The only statistics that I have seen that support this narrative reference \$2.13 states. In St. Paul, we are talking about keeping this tipped wage where it currently stands at \$9.65. Unless

there is data showing that tipped workers in St. Paul are experiencing two times the poverty rate of the overall workforce, this narrative is false and misleading.

Locally, when looking at neighboring states with subminimum wages, we see high rates of poverty amongst the tipped workforce. In North Dakota--a tipped subminimum wage of \$4.86--nearly 25 percent of tipped workers live in poverty, while in Wisconsin--a tipped-subminimum wage of \$2.13--nearly 23 percent of tipped workers are in poverty. In contrast, tipped workers in Minnesota experience much lower overall rates of poverty, with 16 percent of the tipped workforce living in poverty.

This is the exact same claim that I answered in detail four claims below.

Tipped workers access social safety nets at higher rates than non-tipped workers. This is worsened in states with subminimum wages.

Again, this paper is written with multiple citations from ROC United (who is known for their self made, non peer reviewed data) and BLS wage statistics for which I've explained the level of inaccuracy for our category. Also, again, the tip credit that we are proposing would be a higher cash wage than the majority of states' prevailing wages, making the blanket argument against all tip credits null.

In states that have a tip-penalty, tipped workers take home significantly less per hour of work. A tip penalty would diminish the earning power of tipped workers.

As mentioned in several other claims, the economy, prevailing minimum wage and cash wage in states vary greatly. This study does not specify any economic specificities, nor does it differentiate by dollar amount, rather it differentiates by whether or not there is a tip credit. The proposal for a tip credit in St. Paul would be to keep our wage at \$9.65- the highest cash wage in the country. This tiered cash wage would be higher than the majority of prevailing minimum wages in the country, making this broad study a poor reflection of the impact on poverty in St. Paul by instituting a tip credit of this amount.

In Minnesota nearly 71 percent of tipped workers are women, and almost three quarters of servers are women. Women in our state already earn 17 percent less than men, and women that are tipped workers earn 23 percent less than their male counterparts.

This study cites a lot of non peer reviewed data from ROC United as well as wage statistics from the BLS which I have explained are not reliable for accurate wages in our category in a previous thread. Please refer again to why BLS wage data in our category is not reliable or accurate, making this argument, null.

Poverty rates for women are also much higher in neighboring subminimum wage states. In North Dakota nearly 26 percent of tipped workers that are women are in poverty, in Wisconsin nearly 23 percent live in poverty. As an equal wage state Minnesota diffuses points of women's economic vulnerability. In Minnesota, 17 percent of women that are tipped workers live in poverty, a rate 26-34 percent lower than that of ND and WI.

"Tipped worker" not being specific to full service restaurants makes this a confusing argument as we are fighting for a tip credit that would exclude lower tipped workers. Also, we are fighting for a tip credit in St. Paul that would keep the wage where it is currently at \$9.65, whereas the cash wage in North Dakota is \$4.86 and the cash wage in Wisconsin is \$2.33. This in mind, St.

Paul would have a cash wage more than double that of North Dakota, and more than 4 times that of Wisconsin, with a guaranteed wage that is more than double that of each comparative states. In this example, comparing poverty rates of these two states to that of Minnesota/St. Paul makes no sense, as it is not because of any tip credit, but that workers in our state fair better, but that our current minimum wage (and would be tipped wage) is higher than their prevailing minimum wage and several times multiplied higher than their cash wages.

Because the majority of tipped workers are women, rolling back One Fair Wage (OFW) in St. Paul would have a disproportionate impact on the incomes of women and female-headed households. Lower wages would widen the gender pay gap for tipped workers, and push women tipped workers into higher rates of poverty.

-Owners can abandon the tip model at any time. Increasing costs that disrupt the viability of the tip model simply makes it more likely that more full service restaurants will abandon it sooner. Loss of tipped income would push thousands of workers into poverty.

-Stating poverty rates in no way supports your argument that a tip credit would lead to higher gender pay inequality. In fact, according to every wage survey done with tax reported wages for restaurant workers, tipped workers (who are admittedly, mostly women) are the highest paid people in the restaurant, making more than double what the average kitchen staff worker takes home with tipped income, with average incomes ranging from \$23.34-\$32.35/hr

Citations: Mpls survey cited in first submission

http://wahospitality.org/wp-content/uploads/2014/04/minimumwage_executiveSummary_4_19_14-FINAL.pdf

<https://waiterpay.com/blog/average-wage-of-new-york-city-waiter-and-waitress-is-23-34-according-to-a-pay-survey>

We lose power when we are forced to rely on subminimum wages and customers' tips.

Tips fluctuate; they vary based on season, shift worked, section, etc. A tip penalty forces workers to rely primarily on tips for their income, which increases economic volatility in the lives of workers.

-If workers wanted to work for income deemed less "volatile", as put in this statement, they could choose ANY OTHER INDUSTRY for a flat pay rate. Our industry and pay model is unique and 97% of servers prefer it that way.

Citation: <https://upserve.com/resources/infographic-staff-really-think-no-tipping/>

Employers hold power over scheduling for competitive shifts, assigning sections, and choosing who to cut and when. When workers lose a fair base wage, it forces workers to compete for the highest-tipped shifts and exacerbates the scheduling power of an employer.

-The restaurant industry is competitive and has a pay for performance model. This structure which acknowledges hard work as well as seniority is how we as restaurant workers earn "raises" and "promotions"- through better shifts/scheduling. There is no industry where the CEO makes the same as the intern. The restaurant industry acts the same in this way, but has easier access to these higher paid positions through the hard work of an individual, as opposed to a set structure requiring schooling and years moving up in rank. We are able to achieve a "professional's" salary without waiting for one singular entity (such as a boss in an office job) to raise our wage or status, and can instead achieve those goals individually through shift

accessibility and the accessibility of jobs in our community- which gives us the ultimate power over our individual take home pay.

The subminimum wage structure gives both employers and customers an opportunity to abuse power, subjecting workers to a moral conflict, weighing their take-home pay and their dignity against tolerating harassment from employers and guests.

-This “moral conflict” is a direct reference to making tips. Unless ROC comes out blatantly against tipping, this dynamic will not be affected as this dynamic exists in all customer service positions (your job will always rely on guest satisfaction). Servers do not want to lose tipped income.

Tip penalty leads to more sexual harassment.

The restaurant and hospitality industry is the single-largest source of sexual-harassment charges filed by women with the Equal Employment Opportunity Commission (EEOC), with a rate twice that of the general workforce.

-Food Service Accommodations cumulatively has the highest rates of sexual harassment. This does not explicitly talk about tipped workers. In fact, that same article says that “ fast-food workers found that two-thirds of female workers and more than half of male workers had experienced sexual harassment from restaurant management”.

-Fact is that based on EEOC data from the last 20 years (1995-2016) shows that Full service restaurants only account for 5.9% of sexual harassment claims. This category summarization includes BOH workers, but is certainly a closer representation of what numbers might look like for tipped workers specifically. According to the EEOC summary 53% of the workforce is women.

-On this same summary of EEOC data there is a breakdown with the most relevant/recent time frame that shows Manufacturing as the industry with the highest number of sexual harassment claims, while Public Administration is the highest per capita in an industry. Food Service Accommodations is the second (again including all BOH, Counter service workers, Cafeteria workers and Fast Food workers), and Healthcare workers as third highest claims. This is important to note because all three of those other industries have average wages nearly at or above \$25/hr. (Sidenote: Healthcare workers have a workforce makeup of 80% women)

Citation: https://www.buzzfeed.com/lamvo/eec-sexual-harassment-data?utm_term=.ixdrkAkNV#.nuPbjQjDg

In states that have a subminimum wage for tipped workers, women experience twice as much harassment from customers and coworkers as workers in states with a single fair wage. The tip penalty exacerbates problems of sexual harassment in our workplaces.

-This is a lie that comes from a survey that ROC took of its own members. The sample size was little more than 500 people and location was decided by IP address, not physical address.

-EEOC data analyzed by location of claims shows that there is no compelling difference in sexual harassment claims between tip credit states and no tip credit states. IN FACT: this data pulled from the last ten years actually shows that California (a no tip credit state) had more than double the number of sexual harassment claims than New York (a tip credit state)

-In this same document that Eli is citing, ROC acknowledges that the majority of sexual harassment in the restaurant industry comes from our own co-workers, crushing their own

narrative that a higher hourly rate of pay will reduce sexual harassment because it will give us power from having to “put up with everything and anything from the guest”-Saru Jayaraman. -As a woman I could not be more excited for us as a society to finally be addressing the pervasive and constant sexual harassment that has until recently been accepted. This acceptance has been the result of our history as a patriarchal society with little to no repercussions for abusers. ROC is exploiting this movement for political gain. They are trying to bait unaffiliated groups into supporting their agenda through these baiting tactics. Saru Jayaraman (the co-founder of ROC) speaks openly about these tactics in her Resistance School video from UC Berkeley.

Citations: <https://www.epionline.org/studies/a-bad-tip-the-harmful-proposal-to-eliminate-new-yorks-tip-credit/>

<https://www.youtube.com/watch?v=unVed12J0cA>

One in three Americans work in a restaurant as their first job, this means that a third of all workers are learning what is acceptable behavior in the workplace through a sector that has the highest rates of sexual harassment in the workplace. The experience of food-service workers ripples out to other industries and workplaces.

-I believe that 1 out of 3 Americans work in restaurants for their first jobs. Since we've already established that ROC's sexual harassment narrative is false and exploitative, let's talk about all of the skills our community is teaching these youth. Here is a list of skills learned in the restaurant world from many contributors and editors of Kitchn:

Citation: <https://www.thekitchn.com/this-is-why-everyone-should-have-to-work-in-a-restaurant-at-least-once-in-their-lives-life-in-the-kitchen-217897>

Introducing a tip penalty to St. Paul restaurants would make it a worse industry in which to work, not a better one.

-Do I actually need to counter this? I obviously believe this to be false, but without any references or citations this seems like a poor addition to this debate.

I don't think I saw this anywhere in here, essentially talking about lower tipped workers. I want to make sure that somewhere in my arguments it is known that we are also fighting for a super wage, so as to exclude lower tipped workers from the tiered wage. (a redefinition of a tipped worker would be a sufficient change as well).

I'm sure this will come up in Eli's response to the Harvard Shock Study about restaurant closure. I want to make sure somewhere in here the point is made that: If “just raising prices” were a viable solution, then no business would ever fail.

The BLS math doesn't work. If a server is earning \$9.65/hr for 8 hours that is \$77.20. If the server only has enough sales to cover their wage plus food cost the server would need to sell roughly \$100 for the owner to break even for that 8-hour period. Even if the server only received 10% in tips (far lower than what is customary) the server's take home pay would still exceed the BLS figure. Not to mention that if a server only sold \$100 in an 8 hour shift the vast majority of that shift would be spent standing around.

Hello,

I support the restaurant industry in St. Paul and I support a tip credit- YOU SHOULD TOO!

Thanks,
Ann M. Petermeier

From: Angela Marlow <angela@mlba.com>
Sent: Thursday, October 11, 2018 11:53 AM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Full service restaurants and micro business exemption ask

Greetings Council Member Thao,

Thank you so much for all the time you spent with our members last month.

I am writing today to see if you would be willing to add a 9-10 year incremental track to \$15 for both micro business and servers/bartenders.

We would really like to see the business size change to:

500+ = Large Business
499-25 = Small Business
24-1 = Micro Business

A model I like to compare this to is:

Madison Group = Large Business
Brunson's = Small Business
Augustine's/Vendors at Hmong Village = Micro Business

A full service restaurant may have 50 employees, but most are part time or "intermittent" such as Brunson's Pub. He is new and has a small space, but has 46 employees.

Augustines as you heard Monday has 24 employees. She is a micro business at this point. New, will hopefully grow to small business, but really needs to be recognized as a micro business.

We also would like this in the ordinance because we can begin to set this as a standard in the State, other cities and someday, at Congress. I can have dreams!

In terms of a 9-10 year track, we figured the numbers which equal about \$.48 a year for 10 years. This incremental increase for just servers and bartenders allows the industry time to adjust and allows them to pay the back house workers above \$15 depending on the position. They will have to pay cooks and higher positions a higher rate than the dishwasher etc., so any reprieve on the wages of the servers is needed. I know you know all the arguments, so I am not going to get into the mud on all that, but I do want you to have a little bit of the reasonings as to how we came up with these solutions.

Happy to answer any questions or concerns at 612-384-8646 anytime.

I understand the first draft may be ready by tomorrow and so I wanted to reach out. Just FYI, I am also asking Dai and Jane if they would be willing to add it for us. My hope is that one of you would champion for us on one or more of the things we are requesting. I would say that the longer incremental track is the priority, then the business size.

Thank you so much for working with us and I appreciate the time you've taken already!

With Warm Regards,

--

Angela Marlow
MLBA Director of Membership and Services

Hello~

I am a resident of Ward 4 in Saint Paul, and I also work as a server in a full service restaurant. I wanted to write to you in support of a tip credit exemption at part of the minimum wage increase plan.

I currently earn approximately \$25 per hour serving, but if a tip credit exemption is not passed, it is likely that the restaurant where I work will transition to a no-tipping model and apply a service charge to checks in order to cover higher labor costs. Service charges are legally the property of the business and NOT the employee, so the restaurant would pocket any service charges collected and pay me \$15/hr. That would be a loss of 40% of my income. It would penalize employees who have worked in the industry for years and gradually increased their incomes by studying food and wine, service etiquette, and niche topics like organic and sustainable agriculture by forcing them to take a pay cut. It would also ultimately hurt the service industry as a whole by causing a mass migration of experienced service industry professionals to outlying areas or out of the industry all together. Many of my co-workers have expressed to me that they would not be able to stay in their positions under these circumstances.

I am fully in favor of a minimum wage increase, and I do appreciate that on those occasional slow days where I do not make \$15/hr with tips, I will still be paid at that wage. However, I would ultimately end up losing a large portion of my income if a tip credit is not included in the plan.

Thank you for your time and consideration.

Jennifer George
1729 Hague Ave #5
Saint Paul, MN 55104

From: Tracy Isackson [<mailto:nameismaxine@icloud.com>]
Sent: Monday, October 8, 2018 1:49 PM
To: #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>
Subject: Tip credit

To whom it may concern,

Thank you for all the work, time and consideration that has been put into this matter.

As a career server and consumer I oppose the tip credit.

From the perspective of a server I am opposed to my company taking the tip or commission given to me from my guest and converting it to my wage. It seems as though this would not be legal or ethical.

As a consumer, the tip I give to my server is a bonus for good service intended for the server not the company whom I have already paid.

The tip credit is problematic as it seems to put a glass ceiling on any increase for tipped employees. It is as though our only increase could come from our tips. The companies are then relying on the guest to pay their bill, part of the wage they are responsible for and a tip.

I work hard to take care of my guests and am rewarded for that then my company takes my tips and gives them back to me as a wage?

As a server I tip out a minimum of 23% of my tips to my support staff, which also affects wages.

I would question if it seems discriminatory to single out a group that receives tips who has always received minimum wage?

As a single mom without a college degree, I feel fortunate and blessed to have worked in an industry where I could earn a livable wage and support my children. I would call it a success with sacrifice, they attended Catholic Schools with assistance from the schools and all have graduated from 4 year universities. I wasn't always home or at all their events as at times I worked two jobs to enable them to participate in extracurricular activities.

That would bring another point in this discussion, if I don't make enough in tips due to slow business levels my only fall back is to pick up extra shifts or get another job. Life work balance then becomes no life, much work.

Most servers do not have benefits, earn vacation time or sick time. A missed shift is no money.

This is often times part of the business unless your restaurant is union or you work in a hotel.

These are a few points that I would like to introduce as you are in the process of this decision.

I would prefer to remain anonymous at this point, however I am open to questions or discussion in this matter.

Tracy Isackson

From: Jaime Thompson [<mailto:jaimelthompson55@yahoo.com>]

Sent: Tuesday, September 25, 2018 11:57 AM

To: #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>

Subject: Thank You for your time

Dear Council Member Prince,

I am writing you in hopes the City Council will consider implementing a tip credit in the pending Minimum Wage Ordinance. I believe the information presented by the tip credit opposition does not give you a good representation of the average full service server. Unfortunately, the times of the public input sessions have been when a majority of servers are working. Taking time off to come to these meetings means lost income. I believe that I represent a majority of women in our industry. I would like to share with you my personal story.

I am a single mother of a three-year-old. She will be four in November. I was only awarded \$50 a month in child support and he doesn't even pay that. (That's another topic for another day). I work a full time job that pays \$15.34 an hour. It doesn't provide for my daughter and it doesn't pay the bills. So this April I contacted an old employer, WA Frost. I last worked there in 2012 and knew that I could make good money. I worked 2 other full service restaurant serving jobs in St Paul before working my way up to WA Frost. I had to work hard and prove myself worthy of earning this position. I was lucky to know that with serving, one can usually find a job when needed. It was something I could count on to "fall back on". The reason this worked for me, and many other single moms, is that a serving job offers flexibility. I am able to work Friday nights, Saturday and Sundays. Yes, I work 7 days a week, like most single moms. However, I am willing to do this in order to make a better life for my daughter. I don't want her to struggle the way I am. Restaurant owners (on both sides of the tip credit debate) have stated, without a tip credit, they will implement service charges and servers' income will decrease by 20-25%. I cannot afford to lose any income, especially 20-25%.

Most moms who serve, single or not, choose this as their career. This isn't a temporary job; this is what they do to keep the family together. The majority of full service serving jobs, including tips, pay over \$20 per hour. For this job, we have to work random times and days each week. Sometimes we work in the morning and then come back for dinner shift, and maybe pick up our children from school in-between. This type of schedule and pay cannot be found in any other career.

I am asking the City to consider what will happen to the full service restaurant industry, if we raise the minimum wage and do not include the tip credit. If we do not allow for a tip credit for full service restaurants, the industry will not be able to flourish as it has the past 5 years, for the following reasons. The average restaurant profit margin is slim, 3-5 % and labor costs will increase by 55%. The high increase to labor cost will force owners to use service charges or drastically increase menu prices. Service charges are legally property of the owner, where tips are legally the property of the worker. Service charges will not be given to the servers, as owners will have to use this money to stay afloat. Service charges will result in the patron not tipping or leaving little to nothing for a tip. This will ruin the industry we know and love today. This will cause servers to have larger sections, less shifts, and put a strain on the level of service we love to provide. We love serving. We are caregivers. We rely on the industry to provide for our families when needed. I have taken pride in the fact that so many restaurants have chosen to call Saint Paul home. I have made a point to visit most of these new restaurants, as so have many of my friends that grew up in Saint Paul. Over the last six months, we have had seven Saint Paul restaurants close.

I cannot afford a substantial pay cut! I will lose my housing. I will lose my way of life as I know it. I should be moving forward in life not backwards.... I want you to please listen to the workers of full service restaurants. The ones that wrote into the committee online. The ones that have testified and stated they are the full service workers. The 150 people who marched down Kellogg on Monday September 17. I am a voice for the moms that are unable to reach out to you directly. Please consider including a tip credit in the minimum wage ordinance in St. Paul. Thank you for taking the time to read my letter.

Best Regards,

Jaime Thompson

From: Jennifer Schellenberg [<mailto:jenniferlschellenberg@gmail.com>]
Sent: Monday, October 15, 2018 11:43 AM
To: #CI-StPaul_Ward1; #CI-StPaul_Ward2; #CI-StPaul_Ward3; #CI-StPaul_Ward4; #CI-StPaul_Ward5; #CI-StPaul_Ward6; #CI-StPaul_Ward7
Subject: Wall Street Journal-

Did all of you see this? Even the Wall Street Journal editorial board has acknowledged that this fight is one that the workers are fighting "In Masses" according to the title. And they're right. We are.

You've seen and heard from our community. Will you fight for us? We need your support now more than ever. Our livelihoods are depending on it.

<https://www.wsj.com/articles/revolt-of-the-tipped-masses-1539385296>

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Jennifer Schellenberg
Bartender, Northbound Smokehouse & Brewpub
President, Restaurant Workers of America

From: Jennifer Schellenberg [<mailto:jenniferlschellenberg@gmail.com>]
Sent: Monday, October 15, 2018 12:16 PM
To: #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>
Subject: Tipped Workers Ask-

Hi Jane,

We've met several times at events and I really appreciate the thought that you have put into this part of the ordinance. I know that it is important to you that this is done right.

Between [our petition](#) that currently stands at more than 1,650 signatures in favor of a tip credit vs. the "[One Fair Wage](#)" [petition](#) that just reached 100 signatures, and our "dueling" demonstrations a few weeks ago where we had more than 10x the presence than both of their demonstrations combined, I hope you have seen the overwhelming support for a tip credit in St. Paul.

A longer track only prolongs the consequences for tipped workers and small businesses and exacerbates the wage disparity gap and low pay of BOH workers who truly need a raise right now. What we are asking for doesn't exclude ANYONE from this higher wage (unlike the other exclusions) because the tip credit would still guarantee all workers the full minimum wage at all times.

We were in the same room at one of the public input sessions that had many who oppose the tip credit and I know that you, too, heard speaker after speaker that did not understand the mechanics of this policy idea, or that we were trying to exclude them from it to begin with. (Many were baristas who do not make the same tips as full service workers) Because there are many outside of the full service restaurant community against a tip credit, the majority of whom don't even understand the policy, should not negate the fact that those who this will actually affect are overwhelmingly in favor of it.

Today I am asking you on behalf of thousands of Twin Cities tipped workers to please be our advocate and introduce a tip credit amendment to the city ordinance draft.

Caveats that we have advocated for and continue to believe would be best for workers in our industry:

- 1) Make owners apply to utilize a tip credit, making it an opt -in model/ a privilege as opposed to a right that owners may claim (*We would be the first to do this*)
- 2) Exclude lower tipped workers (this could be done by changing the definition of a tipped worker, implementing a super wage or specifying full service restaurants only) (*We would be the first to do this*)
- 3) Make it a requirement that businesses average hourly income per shift instead of per pay period. (*this is being discussed in Boston and DC*)
- 4) Make it illegal for businesses to charge servers credit card processing fees on their tips (*this was added as a worker protection in Maine after the got their tip credit back*)
- 5) Make businesses host wage theft and/or sexual harassment classes to educate staff about their rights (*this is being done in DC*)
- 6) Put the full service restaurant industry on a two year track and get our community to \$15 before anyone else. This would make us one of the first in the country to get workers in our community to \$15 and is entirely possible with minimal adjustments as BOH workers are almost at \$15 already and servers are far above it. This would also show your commitment to getting workers in need *in all communities* the raises they need as quickly as possible. (*To my knowledge we would be the first to put restaurants on a faster track*)

You represent the kind of leadership that is both progressive and pragmatic. I feel confident in saying that the majority of the council understands why we need a tip credit and what the consequences will be without one, we just need someone to present the amendment so the others can stand with them- and with us.

Thank you for your consideration. I appreciate all of the transparent dialogue we've had thus far, and I hope to maintain that transparency moving forward.

Cheers,

Jennifer Schellenberg
Bartender, Northbound Smokehouse & Brewpub
President, Restaurant Workers of America

From: Wil Totten [<mailto:wtotten@gmail.com>]
Sent: Wednesday, October 17, 2018 9:56 AM
To: #CI-StPaul_Ward3 <Ward3@ci.stpaul.mn.us>
Subject: Support for \$15 minimum wage

I support the \$15 minimum wage initiative out further restrictions and amendments.

Wil Totten
1808 Highland Pkwy

Greeting St Paul Mayor and City Council,

Allied Charities receive funding through pull tab sales by our licensees. They sent us this letter explaining how they will not be able to afford to continue with booth operators at the bars without some type of exemption.

We wanted you to have this information and that we support each other's exemptions as the charity funds and our bars are directly tied.

Feel free to contact us if you have any questions.

Thanks so much.

From: ACM <alliedcharitiesmn@gmail.com>

Date: October 17, 2018 at 11:02:48 AM CDT

To: Tony Chesak <tony@mlba.com>, Richard Jaranson <richj@paulbunyan.net>

Subject: \$15 per hour in St. Paul

Tony,

The ACM board would like for you to submit the following on our behalf. We appreciate your help with this.

Regards,

Al

What \$15 per hour minimum wage does to a non- profit gaming charity:

Labor currently represents 50% of our overall expenses

\$15 per hour is a 36% increase in wages from the current \$9.65

A 36% increase in wages is an 18% increase in our overall expenses

An 18% increase in overall wages means that net profit drops to 2.8 cents per dollar wagered

Our employees are paid at least the mandated minimum wage, many are paid more, and do receive tips

Charities will be forced to find less expensive alternatives than operating a booth with employees

Options include going to machines or a bar op, eliminating the need for a booth with employees

There are currently 12 non-profit organizations conducting charitable gaming in St. Paul

Allied Charities of Minnesota (ACM) is a 501c6 trade association that represents all licensed gambling charities in MN

ACM would ask that the \$15 per hour not be mandated

Al Lund
Executive Director
Allied Charities Of Minnesota (ACM)
[3250 Rice St](#)
[Saint Paul, MN 55126-3080](#)
[Office #](#): 651-224-4533
[Fax #](#): 866-240-6160

alliedcharitiesmn@gmail.com

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Angela Marlow
MLBA Director of Membership and Services
612-384-8646-cell
651-772-0910-office
angela@mlba.com

From: Jim and Karen [<mailto:jimandkaren86@gmail.com>]
Sent: Wednesday, October 17, 2018 10:14 AM
To: #CI-StPaul_Ward2 <Ward2@ci.stpaul.mn.us>
Subject: \$15 wage

Chris,

I Support the \$15 minimum wage.

Thanks,
Jim Fournier
1140 James Ave

From: FifteenNow Minnesota [<mailto:fifteennowmn@gmail.com>]
Sent: Monday, October 22, 2018 10:52 AM
To: #CI-StPaul_Ward1; #CI-StPaul_Ward2; #CI-StPaul_Ward3; #CI-StPaul_Ward4; #CI-StPaul_Ward5; #CI-StPaul_Ward6; #CI-StPaul_Ward7
Cc: Carter, Melvin (CI-StPaul); Vang, Yingya (CI-StPaul); Kantner, Libby (CI-StPaul); Maki, Taina (CI-StPaul); McMahon, Melanie (CI-StPaul); kim.obrien@ci.stpaul.mn.us; Renstrom, Scott (CI-StPaul); Harr, Stephanie (CI-StPaul); Yang, Daniel (CI-StPaul); Her, Kaohly (CI-StPaul); Benjamin, Adrian (CI-StPaul)
Subject: 15 Saint Paul Coalition Statement on 10/17 Amendment

Dear City Council, We, the coalition of faith, labor and community groups that have led the fight for a \$15 minimum wage in Saint Paul for more than a year, oppose the amendment brought by Councilmember Thao at the first reading of the minimum wage ordinance on October 17th.

The fight for a \$15 minimum wage in Saint Paul began four years ago when workers went on strike demanding livable wages to address the crisis of poverty and inequality in our city. Since then, the crisis has only intensified. Thousands of families struggle to pay rent and make ends meet while working multiple jobs. The burdens of rent, bills, transportation, and childcare continue to rise while wages stagnate far below cost of living. With 1 in 4 jobs in the city paying below \$15/hour, it's no wonder that nearly 40% of Saint Paul lives in poverty.

Workers need raises as soon as possible. City Hall has spent the past year deliberating and designing a policy that is right for Saint Paul. The current ordinance language means workers must wait another 18 months for the first raise on the way to \$15. After so much time, and with the crisis of poverty growing every day, it's essential that the raises are as large as possible as soon as possible.

The current ordinance language already puts workers at microbusinesses at a significant disadvantage, with a full-time worker at a microbusiness making \$18,464.29 less than their counterparts at small business over the eight-year implementation period, or \$200/month less on average. The proposed amendment doubles these numbers, meaning workers at microbusinesses will earn almost \$40,000 less than workers at small businesses over the eight-year implementation period. Workers at small businesses would earn \$11,481.60 less over the period of implementation, on average a loss of \$160/month for six years. The numbers proposed in the amendment are not minor adjustments to a phase-in schedule, they are major losses for working families struggling to pay bills and put food on the table.

Furthermore, the proposed amendment does not get to a \$15 wage in the same time frame. In fact, it eliminates the \$15 wage step for both small and micro businesses, meaning workers will wait an extra year to earn more than \$15. In addition, by eliminating the \$15 wage step, small and micro businesses will face huge wage increases when they jump from \$14 to the City Minimum Wage that has been increasing with inflation. In 2026 for small and 2028 for micro, the wage will likely increase by over \$2 in a single year. This enormous one-time jump will make it difficult for businesses to comply and will create significant political pressure to reverse the minimum wage law at the city or state level.

The current ordinance language is the product of years of workers and community organizing for a \$15 minimum wage. Saint Paul residents have made it clear at the ballot box and in the streets that we want a \$15 minimum wage for every worker as soon as possible, and the phase-in proposed in the ordinance meets those needs. Much like enforcement, phase-in schedules are an often overlooked but critical component of an effective policy for raising wages. The longer Saint Paul's \$15 minimum wage policy delays raises, the less effective it is at the goal of lifting working families out of poverty.

City Hall's current ordinance will give working families sizeable raises at a pace that accommodates the needs of small businesses. We urge the City Council to reject this amendment and move forward with a \$15 minimum wage with no tip penalty and strong enforcement to give workers their much-needed raises as soon as possible.

Sincerely,
15 Now Minnesota
AFSCME Council 5
Asian American Organizing Project
Communication Workers of America Local 7200
Centro de Trabajadores Unidos en la Lucha (CTUL)
East Side Freedom Library
Hmong Americans for Justice
ISIAH
Minnesota Nurses Association
Restaurant Opportunities Center of Minnesota
Saint Paul Federation of Teachers
Saint Paul Regional Labor Federation
SEIU MN State Council

SEIU Healthcare MN
Teamsters Local 320
UFCW Local 1189
UNITE HERE! Local 17
Working America

From: doug swalboski <dougswalboski@gmail.com>
Sent: Tuesday, October 23, 2018 7:23 AM
To: #CI-StPaul_Ward7
Cc: Harr, Stephanie (CI-StPaul)
Subject: Please consider small independent businesses in Minimum wage ordinance

Dear Councilmember Prince,

I read yesterday's introduced language for the minimum wage ordinance and I am very concerned. This proposal would treat me as a large business. I own and operate the Culver's myself. We only have 40 employees, 10 full time and 30 part-time. We are not a large corporation. I am worried what will happen if we are considered a large business.

Please fix the language so that my small business can remain competitive with other small businesses.

Respectfully,
Doug Swalboski

From: gmail [<mailto:jscottcrandall@gmail.com>]
Sent: Tuesday, October 23, 2018 11:06 PM
To: #CI-StPaul_Ward6 <Ward6@ci.stpaul.mn.us>
Subject: Tip Credit

Dear Councilmember Bostrom,

My name is Jeffrey Crandall. I'm a registered voter and a homeowner in St. Paul. I am also a full time, career bartender. I've been in the service industry for over 20 years. I fully support the addition of a tip credit to the pending minimum wage bill. I'm asking you to do the same. I have been active in the fight for a tip credit because I believe it is the best way to insure the health of my industry while also achieving the promise of a \$15 minimum wage for all. I'm not alone. I was at the rally at City Hall on September 17, along with over 150 other tipped workers. I signed the petition demanding a tip credit. So did nearly 1700 (and counting) others. Don't believe the false narrative that our industry is split on this issue. We're not. The opposition is comprised mostly of paid activists and union workers under the direction of their unions. They don't come close to matching our numbers in petitions or rallies. The overwhelming majority of full service restaurant workers who rely on tips for the majority of their income support a tip credit with the upcoming minimum wage increase. What we are proposing has the chance to be a model for other cities. It would truly be the most progressive tip credit in the country. Please listen to the servers and bartenders in St. Paul. Please support a tip credit.

Thank you.
-Jeffrey Crandall

From: Jennifer Schellenberg [<mailto:jenniferlschellenberg@gmail.com>]
Sent: Wednesday, October 24, 2018 5:52 AM
To: #CI-StPaul_Ward6 <Ward6@ci.stpaul.mn.us>
Subject: Minimum Wage Ordinance

Good morning,

I hope you, the council member, (not just your staff) has read the information that I've sent you. I hope you've thought long and hard about how the choice that you make about tip recognition will affect thousands in your city. Our community has showed you in large demonstrations and intimate gatherings that this is important to us, and that we are unified. Please don't let special interests who stand to gain financially from the destruction of our industry sway you.

In review:

Prime cost for restaurants is 60%. Half of that should be labor. If prime cost cannot be controlled (and with a 55% increase in cost of labor that is a mathematic certainty) there will be drastic changes, and those changes will affect us, the workers.

If you don't allow the highest paid employees in our community to count a portion of their tips as income, you are damning the lowest paid workers first, and the longevity of careers like mine.

Time is not a sufficient compromise. It only prolongs the inevitable math problem before us. Like Mr. Mancini said in a private meeting with CM Noecker, if you don't give us a tip credit then you are forcing service charges on the workers. There are no other escape routes. Unless you are comfortable owning the transfer of money going from the workers directly to the owners in mass trend, please PLEASE recognize our taxable tipped income.

According to the Harvard Elasticity of Demand, restaurants have an elasticity of 2.3. This means that for every 1% that we raise prices, we lose 2.3% of volume. Simply put: we cannot raise prices enough to cover the cost that this ordinance will incur upon us without a tip credit. If sensible catch phrases are your preference: If raising prices were an adequate solution, no one would ever go out of business!

If you do not recognize our taxable tipped income, you are forcing a raise to the highest paid employees in the restaurant and virtually no one else. Kitchen workers are generally at \$15. There will be no money left over to include them in incremental raises. \$15 without any kind of tip adjustment will make the wage disparity gap worse, until we lose tipped income. Then more than half of the workers in my community will be making less.

Have you been reading the comment sections of articles on the tipped wage subject? As I woke up today I checked reddit. The general public floods these articles with comments like, "Yep, I'd stop tipping yesterday." and the more pragmatic "It will be a slow change but eventually I can see tipping being a thing of the past for \$15 employees."

Are you willing to own the incredible loss of income that people like myself will see if the trend of tipping dies with higher wages? This will destroy my career. And I'm not alone in this concern. That's why you've heard from hundreds of workers in my industry.

Is it an everyday experience to have 150 people march to City Hall? We were there. Did you see us?

ROC has a petition against the tip credit that has 100 signatures. Our petition has over 1,600. Please go to it and read the comments from our community:

https://www.change.org/p/restaurant-workers-of-america-support-for-a-tip-credit-in-st-paul/w?source_location=petition_show

The U.S. Census Bureau has a study done by Maggie Jones (linked in the "argument for a tip credit" document that I've sent you) called "Measuring the Effects of the Tipped Wage using W-2 Data" that talks plainly about why a lot of the data that you're getting from the opposition (BLS data. etc) is incorrect for tipped jobs. It then goes to state in it's closing, " I present evidence that increasing the tipped minimum wage has the effect of increasing that portion of wages paid by employers, but decreases servers' tip income by a similar percentage. An increase in the tipped minimum wage has a quadratic relationship with sector employment, where employment first increases, levels out, and then decreases as the tipped minimum increases." and that "servers benefit from higher employment over a wide range of the tipped minimum wage. "

There is so much empirical evidence behind what we've been screaming for the rooftops, and there is *some* data on the subject: We can also look to the Harvard study called "Survival of the Fittest" that states that for every dollar increase in the minimum wage, restaurants see an increased likelihood of exit of 14%. FOR EVERY DOLLAR INCREASE. These are your neighborhood small businesses. These are our employers, these are our jobs, and whether or not you believe us when we tell you, these people are our family.

Have you read what I've sent you about the opposition? I'm happy to send it to you again if you need it. Saru Jayaraman, the head of the Restaurant Opportunities Center- one of the groups that stood with AFSME and the SEIU and Mayor Carter last week- has spoke openly about "stabilizing the industry" so that unions can sign up our workforce. She has been quoted as saying "Ultimately this system of tipping needs to go", "We want the industry to feel threatened by us or the unions" (and let me tell you, we do) & "The goal is to create a labor friendly climate so the unions can organize the workers a few years later". Is that what you want? If you do not recognize our taxable tipped income, this is the fate that you force on us.

And what is this "collective bargaining" bit of language in this ordinance?! It literally says that we can have a tip credit IF we are a part of a collective bargaining unit. SERIOUSLY?! I know that as individuals you all have a strong enough moral compass to understand what a blatant grab that is for the SEIU, and how much money they stand to gain if my community gets higher wages, less tips and joins their union.

I am begging you as an individual who has dedicated my life thus far to the restaurant industry, and recently to educating others about the nuances of it, to PLEASE hear us and our cries for recognition.

This ordinance currently includes EVERY OTHER EXCLUSION. And those other exclusions actually result in people making less than the minimum wage. Ours is the only exclusion that still guarantees that all workers would make the full minimum wage at all times.

What we are asking for is a reasonable compromise. We are only asking to maintain our status quo. Our opposition stands to make money from our misery. Please hear us, I am begging you-

--

Jennifer Schellenberg
Bartender, Northbound Smokehouse & Brewpub
President, Restaurant Workers of America

From: Jennifer Schellenberg [<mailto:jenniferlschellenberg@gmail.com>]

Sent: Wednesday, October 24, 2018 9:13 AM

To: #CI-StPaul_Ward1; #CI-StPaul_Ward2; #CI-StPaul_Ward3; #CI-StPaul_Ward4; #CI-StPaul_Ward5; #CI-StPaul_Ward6; #CI-StPaul_Ward7

Subject: Please open the hyperlinks:

This is a compiled argument with hyperlinks to resources concerning the tipped wage for restaurant workers. Attached is the argument against with rebuttals. Please make sure that if you decide not to support the tip credit that you feel that you know all of this information as well as I do. Make sure that you feel comfortable telling the hundreds of constituents that work in the full service restaurant community who have reached out, that you know their industry better than they do.

Not a day goes by that someone in the industry doesn't approach me and ask if we're going to be heard and if our voices will be honored. The SEIU doesn't speak for us. Baristas don't speak for us. Eli and Celeste do not represent us. We are all watching closely- hopeful that you will stand up for us and tell the special interests that they cannot put their hands in our cookie jar.

Argument for a tip credit:

Safeguarding the culture, flexibility and treatment of tips as income and the tip credit wage in America's full service restaurants is paramount to saving the industry and crucial to the protection of well paying tipped jobs.

The restaurant industry excels in providing an accessible path to ownership and management without a formal education, and for women and people of color. According to the [Bureau of Labor Statistics](#), the Food Service Industry has the highest concentration of Latinos in management jobs, the 3rd highest for Asians and is among the top 10 for African Americans.

According to the Metro Council [study on concentrated poverty](#) in the Twin cities from Feb 2017, 98% of the income received by those living in poverty is working income and only 2% is received via public assistance. Meaning: any proposal that puts these vulnerable first tier jobs in jeopardy puts our most vulnerable population at risk. Zero income is something this population cannot afford to accept. In March of 2017, the Minnesota Restaurant Association [conducted a survey](#) of its members to find the hourly earnings as is reported to the IRS for employees in the restaurant community. The results of this survey, which included large and small restaurants of varying price points and locations in the city, showed that support staff positions (such as busboys and hosts) make \$12.64 on average, line cooks averaged \$13.89, and tipped workers averaged \$28.56. Although the results of this study show that the average restaurant worker in each capacity is above the poverty line in the Twin Cities, the large majority of the restaurant community supports the need for wage increases to those living near the poverty line. This is why the majority of the restaurant community has fully supported the Fight for 15 in St. Paul. The caveat? We want a Tip Credit.

What is a Tip Credit?

A tip credit is part of a pay model utilized by 43 states in America because it allows for the high labor, person count model a full service restaurant demands. A tip credit is the dollar amount that makes up the difference between the tipped tiered wage and the prevailing minimum wage. It allows the restaurant/workers to count the taxable tipped income of the server toward the prevailing minimum wage while also, by law, guaranteeing that the employee makes the full minimum wage at all times.

Why do we want a Tip Credit?

It's not politics it's math. As the cost of goods and labor rise, the business model that most full service restaurants currently operate under becomes compromised. The current business model that full service restaurants operate under benefits all four parties that participate in American dining culture:

- -Guests pay varied affordable prices for food and drink while enjoying hospitable and accommodating services.
- -Servers work under an incentivized pay model which allows them to make much more than the minimum wage, on average over \$28/hr, without formal education, and have the ability to increase their own pay based on performance and individual initiative. The current model also allows for a flexible schedule, where tipped servers can earn more money in a shorter period of time than working at a flat minimum rate.
- -Businesses can employ professionals while offering reasonable menu prices to guests, encouraging patronage.
- -The IRS/City of St. Paul earn tax revenue from the business as well as the income (hourly and tipped) of its employees, especially in this moment where 90% of sales are paid for through trackable credit card transactions.

Restaurant Economics and Razor Thin Profits

In restaurant accounting, Prime Cost is the total cost of a restaurant's goods sold and the total cost of their labor which includes payroll taxes, benefits and payroll insurances paid. The [target prime cost](#) for a restaurant to achieve profitability is 65% of the business's gross sales. With net profit margins ranging [between 2-6% for most restaurants](#), the proposed 58% increase in labor costs for FOH employees is one that - regardless of phase-in time - will force dramatic changes to these business models, or closure entirely. A labor heavy, full service restaurant financial model is dependent upon having Prime Costs under 65% for viability. The SBA understands this and [funds on this model](#). An upheaval of this system results in the failure rate we see on the West Coast where they have not yet reached \$15/hr as a tipped minimum wage but have shown consequences as the minimum wage rises toward it.

- In an effort to explain how sales are divided before they become profits or wages a Twin Cities restaurant owner and I put their 2016 Profit and Loss Statement into a proforma to show how this wage increase and subsequent menu price increases will affect the business by 2024.
- The first column is the 2016 P&L statement broken down into separate categories. We can see that in 2016 this business made 2.04% in profits.
- The center column shows us what the cost would look like if we simply increased wages to \$15/hr without making changes to hours for employees, or menu prices. The deficit of \$300,300 in this column is 12% of the business' sales.
- The third column reflects menu price increases of 20% across the board. Using an Industry standard numerical value for the common economic law, called the consumer Price Elasticity of Demand, (PEOD) (full service restaurants have a PEOD value of 2.3), which means, for every 1% we raise our prices, we lose 2.3% of our customers. Even with a drastic menu price increase of 20% by 2024 this restaurant will lose half of its profits, now showing 1.04% profitability. It is important to note that this proforma does not account for ANY inflation and there is a strong likelihood that the 1.04% in remaining profits will be consumed by inflated cost of goods.

Evidence of Consequences

JOB LOSS- The most immediate adjustment that we will see restaurants make as FOH wages rise is the loss of support staff positions/jobs. Red Robin is a good example of this on a national scale, as they [just announced](#) in January that because of wage hikes across the country they will be eliminating all busser positions at their 570 stores. Last year they eliminated all expeditor positions. These support staff job losses are; devastating to the first rung of the employment ladder, will diminish the dining experience of our guests and will certainly jeopardize the success of a business that earmarked these positions as part of their customer service plan.

REDUCED HOURS- Without a tip credit, [we will also see a reduction in hours](#) and jobs in both tipped worker positions and the back of house. As restaurant industry experts suggest, to help better control profit margins restaurants will need to add more workload to hourly staff and management so less staff is needed. This includes hiring less full time workers in exchange for more part time workers, giving servers larger sections, which make it more challenging to give good service, as well as reducing the menu to cut out prep time and kitchen positions. As a result there will be fewer jobs that qualify for healthcare benefits, less available jobs and less stability for those working in the restaurant community.

WAGE STAGNATION- One of the most disturbing parts of raising the minimum wage without a tip credit in the restaurant industry is [stagnation in BOH wages](#). In Minneapolis for instance, the minimum wage will increase by \$0.75 per year until the year 2024 when wages will reach \$15/hr. The average hourly pay of a line cook currently is \$13.89, - well above the current minimum wage. The market demand proves that the need for talent has lead to pay increases in this segment, but a mandate for a drastic minimum wage increase of \$10,400 per employee in the FOH, will eliminate merit based increases for the BOH as we approach 2024.

BUSINESS CLOSURES- To add clarity to the gravity of this cost, by the year 2024 a small restaurant that employs 20 full time FOH employees will now be paying an additional \$228,800 in wages for those 20 employees alone. We also have to take into consideration the additional costs of doing business due to the overriding minimum wage increases that impact our vendors and service providers: food and beverage, linens, paper products, payroll tax liability, workers comp, liquor liability, FICA, Medicare, unemployment insurance, sales tax, insurance and credit card processing fees, it will be a deluge of cost increases. This wage escalation, and it's consequences, will [break the economic model](#) of full service restaurants without a tip credit because the profit alone does not sufficiently cover the new costs.

DECREASE IN OVERALL INCOME- [In a study done by the US Census Bureau](#), they analyze why some data does not accurately reflect real income of tipped workers and how tipped minimum wages affect both employment of tipped workers and overall income. They found that "An increase in the tipped minimum wage has a quadratic relationship with sector employment, where employment first increases, levels out, and then decreases as the tipped minimum increases... the results provide evidence on the welfare effects of tipped minimum wages on servers, showing that, while overall compensation may not change, servers benefit from higher employment over a wide range of the tipped minimum wage."

West Coast Trials

Because restaurateurs on the West Coast have had difficulty making the math equation work, many have been experimenting with ways to keep their businesses afloat which unintentionally harmed their tipped workers.

NO TIPPING OR HOSPITALITY INCLUDED MODEL- This tip free model diminishes the pay of servers down to minimum wage and increases menu pricing by 20-40% for customers. [High profile restaurants](#) have experimented with this model to limited success even in large metropolitan areas [like NYC](#). Most restaurants that try this model in less populated areas revert back to a tipping model due to; customer complaints about prices, server attrition and a significant decrease in dining volume. This model ends with guests paying more, and the server making less.

COUNTER SERVICE- We're also seeing a [large number of restaurants](#) switching to a Counter Service model on the West Coast. With this model change, restaurants can cut staffing dramatically by reducing the service level for guests. The counter service model reduces the need for FOH staff by 60% and categorically changes the service experience, which obviously does not work for all menu concepts.

AUTOMATION- On the West Coast and in large chains across the country, restaurants are responding to extraordinarily high labor costs with eliminating FOH jobs and [moving to automation](#). Increasing labor costs by giving 'raises' to the highest paid employees in restaurants will undoubtedly accelerate this trend, which has the potential to kill thousands of well paying, professional service jobs.

JUST CLOSE- Lastly, on the West Coast we are seeing larger than average full service restaurant exit. Harvard did a study in the Bay Area with data from 2008-2016 correlating the minimum wage, Yelp ratings and restaurant closures. In 2012 the Bay Area had a thriving restaurant scene- the most restaurants per capita in the country- of which 60% of restaurants had a 3.5 star yelp rating of lower. What the research showed is that with each dollar increase in the minimum wage, the likelihood of exit for a [3.5 star restaurant increases by 14%](#) while restaurants with higher ratings (generally fine dining/more expensive restaurants) were insulated and experienced little change. The Bay Area will reach \$15/hr without a tip credit in July of 2018 and has reported bursts of [over 60 restaurants](#) closing in a 5 month period in the since 2016 as a result of the minimum wage, referred to by the press as "[The Death March](#)".

TIPPED EMPLOYEES ARE NOT ASKING FOR THIS- The fact is that servers prefer to make their income via tips. In 2016 Upserve did a survey of almost 1,000 servers and found that 97% of [servers prefer the traditional tipping model](#) over a flat pay rate. In a second survey done in 2017, In another study, Upserve found that in states where the minimum wage increased, 73% of servers reported no increase in take home pay. In fact 24% actually [reported noticing a decrease in tips](#) received. When asked if they would prefer a higher wage over tipped income, only 1% said yes, while 27% said it would depend on the size of the wage increase and the majority, 69% said that tipping supplements their income more than any wage increase ever could.

Conclusion

Preserving or instituting a separate tipped wage is one of the only mechanisms available to protect restaurants from an unsustainable minimum wage increase in their labor heavy, full service restaurant models. Tipped employees prefer their current commissioned compensation format over an unintended pay reduction, cloaked as a raise to minimum wage when tips are eventually removed by customers due to drastic menu price increases. All servers are already guaranteed minimum wage but prefer to generate better personal income with tips.

Jennifer Schellenberg
Bartender, Northbound Smokehouse & Brewpub
President, Restaurant Workers of America



Tip Credit
Debate.docx

Dear City Council,

My name is Tim Mahoney, and I'm the proprietor of The Loon Cafe in Minneapolis. I'm also the president of the Warehouse District Business Association, I sat on the Citizen Council committee on the minimum wage increase in St. Paul, and I'm a board member of the Minnesota Licensed Beverage Association.

Although I have much invested in Minneapolis, I feel the need to enter the conversation of a minimum wage hike in St. Paul because this is where I live, and I also have plans to invest in a new restaurant opening downtown.

Last month, I was asked to accompany council member Dai Thao, his aid Ying Ya Vang, and Thomas Durfee of the Humphrey Institute on a fact-finding mission, investigating the effects of the minimum wage increase in Seattle because I was involved in the process in Minneapolis from beginning to end.

During our trip to Seattle, we first met with Dan Eder, the Deputy Director of the Council Central Staff Legislative Department for the city. The first thing he told us was that the ordinance was extremely difficult to write. He said accommodating all the special interest groups was very difficult, and they also indicated to us that this was not mandated by the workforce. This was a political agenda set by one person running for city council and another running for mayor. Both got propelled into office and set the ordinance in motion.

The Council Central Staff provided us with this information:

1. The median salary in Seattle is \$80,000 a year, and in St.Paul, \$40,000.
2. The tip credit starts at \$12.75 per hour, as long as you can prove that you make \$2.25 per hour in tips. Plus, employers must offer health insurance.
3. People with English as their second language and workers with disabilities need to be communicated with during the writing of the ordinance and with implementation.
4. There were no funds to have an academic study to evaluate wage increase before or after the ordinance was written.
5. Employers and employees both need to be educated on new labor laws and the enforcement practices.

Secondly, we met with Tammy Deets of the Ethnic Business Coalition, which represents

immigrant-owned businesses in the International District, namely Little Saigon, of Seattle. We gathered this information:

1. There was a lack of contribution from area businesses in creating the law.
2. They experienced communication issues throughout – from creating to implementation to enforcement of the law. People whose second language is English were the most affected.
3. The phase-in times were too fast, having huge increases in wages and narrow margins, which created great difficulty for the immigrant, small, and micro businesses.
4. There was no technical help in how to report and implement the ordinance, thus causing increases in administrative time and costs.
5. There is a need for outreach programs that are available from beginning to present.
6. There was no help from the city government in creating new tool kits necessary to help businesses survive.

Thirdly, we met with the Full Service Workers Alliance Seattle restaurant servers and workers. They told us:

1. They experienced losses in jobs and wages.
2. They had great concern with both non-tipping models and counter-service models.

The automatic service charge of 20% that was added to all checks was challenged in court. The servers wanted total transparency about how the money they make is divided among front-of-house and back-of-house employees, as it's illegal for Minnesota employers to tell their tipped staff to tip out back-of-house workers as part of their compensation package. The servers won this case.

The “base-wage-plus-commission” model, in my opinion, is very damaging to the industry as a whole. In this model, you enter into a contract with tipped employees on a base pay, which is often negotiated lower than the state minimum wage, plus a commission of up to 20%. This is usually lower than the 20% that is collected. Both the employee and employer can now manipulate the system. With this model, a tipped line is usually attached to the bill and this tip is given directly to the server.

Do I tip or don't I tip? How much should I tip? I think customers would find this very confusing.

The oldest model involves cash-only payments or a cash discount on checks. This model has some very negative aspects to reporting and theft from the employee and employer as well.

The overall consensus among the service workers was to inquire why the city government would try to fix a model that wasn't broken.

Our fourth meeting was with the Office of Labor Standards, which has an \$8 million budget a year to implement and enforce. They brought up these points:

1. How does the city pay for a new department or deal with added pressure and positions in the Civil Rights Department?

2. What is the responsibility on both employers and employees who encounter communication problems in the implementation and enforcement of the ordinance?
3. With the sick time and wage laws, the city has created six more laws to protect low income employees. This has resulted in mass confusion and a need to increase its budget every year.
4. They expressed the need to have simple laws and guidelines to follow for both employer and employee.

Our last meeting of the day was with Council Member Kshama Sawant. She told us:

1. Education for both employees and employers about the new law is important.
2. She does not feel that a cliff effect exists, especially if you make \$15 per hour.

The counter-service model, base-pay-plus-commission model, and the cash-only model create stagnant wages in back-of-house positions, as well as wage theft. The old fashioned tipping model has created,

for the first time, large increases in back-of-house pay due to the economic forces associated with supply and demand of the workforce.

It appeared to me that the tipping models are confusing to most in Seattle – no matter their socio-economic status.

Overall, I feel that communication will lead to the success of the new legislation and how it's implemented. The implementation of the legislation in Seattle proves there are too many unanswered questions that should be addressed with caution and clear thought.

Sincerely,

Tim Mahoney

From: Rev. Sara E. Morse [<mailto:revsara@q.com>]

Sent: Wednesday, October 24, 2018 6:56 AM

To: Prince, Jane (CI-StPaul) <Jane.Prince@ci.stpaul.mn.us>; Harr, Stephanie (CI-StPaul) <Stephanie.Harr@ci.stpaul.mn.us>

Cc: Julia Carlson <julia.k.carlson@wellsfargo.com>

Subject: \$15.00 Minimum Wage

Dear Jane,

Hazel Park Learning Center (HPLC) is a non-profit created by Hazel Park Congregational United Church of Christ and is a separate subsidiary of the church. HPLC offers childcare for children 6 weeks to 5 years of age and is open to all children regardless of religious affiliation or non-affiliation. We are licensed for 32 children through the Department of Health and Human Services. Our mission is to offer quality and affordable education in our neighborhood. AND we want professional staff as a part of our team to ensure that this mission is carried through.

The HPLC Board of Directors is reflecting upon the \$15.00 minimum wage. Currently, our staff are paid more than the current minimum wage and receive other incentives such as vacation and PTO; however, we are not able to provide health, dental, or retirement benefits. The HPLC Board of Directors wants its staff to have a living wage, and would like to work towards offering staff more benefits, but the \$15.00/hour minimum would make that challenging. Happy compensated staff equals happy children/parents/guardians. Our biggest hope/concern is that we are able to stay relevantly priced in our area as the minimum wage increase happens over time.

As you are aware, we are in a childcare desert, especially for infant childcare needs. As the City Council reviews Mayor Carter's proposal and the implementation of this wage increase, I just wanted you to be mindful of our little piece of heaven on the East side and how it currently benefits 25 children and their families and 5 staff members.

Thanks Jane for taking the time to read this and for your continued support in the community.

Sincerely, Rev. Sara E. Morse

Hazel Park United Church of Christ, 1831 East Minnehaha Avenue

From: Jessica Monette [<mailto:JMonette@ehshospitality.com>]
Sent: Wednesday, October 24, 2018 2:32 PM
To: #CI-StPaul_Ward5 <Ward5@ci.stpaul.mn.us>
Subject: RE: Tip credit consideration

Dear CM Brendmoen,

I must keep this relatively brief as I am at work placing hospitality and restaurant managers with growing, progressive organizations who work tirelessly to take care of their workers on their own diligence, with basically limited to no business supports other than the loyalty and understanding of their teams, but...

Please consider voting for a tip credit. Tipping is an elective business model in the first place that restaurants can opt in or out of; and, considering the facts that a tipped model restaurant is the most competitive in this market (as it currently stands) leaving businesses rudderless in absence of other supports (for example, on business model transition, small grants to buoy the change, etc.), what you are really hurting here, in my experience as a talent recruiter for such businesses (of varying business models in the industry; including Value Added Tax or service fee models) is the capability of small to medium, local businesses to have the ability to employ and activate wage earners.

Believe me, I interact with various restaurant business owners on a daily basis—MANY of whom identify as DFL, Liberal, and/or progressive—and many are already doing ALL they can to provide a quality of life balance, incentives, or upping their own minimum wages, to remain competitive and service-driven. An absence of an elective tip credit—emphasis on ‘elective’—hurts these small businesses. Hospitality/restaurants are proven time and again the litmus of healthy local economies, and is the top industry providing a managerial tract for those without post-secondary educations, women, and POC. In an era where we are conscious of the success and failures of systemic racism, classicism, and access, I urge you to consider what creating another unsupported hurdle for these businesses would do to local economies. These are people who are incredibly supportive of being able to provide all of their workers an (at least \$15/hr) livable wage, but if forced the hand to either radically change their business model, or cut back overall on staff to be able to keep the lights on, you will see people who are otherwise facing barriers to employment—good, tax-paying, hardworking people—lose their options.

For the record, the vast majority of the clients we work with *start* their back of the house and entry-level floor staff between \$14-18/hr. That’s the ***actual*** competitive wage range in this market.

Thank you for your time, and I hope you consider these remarks above political expedience.

Sincerely, a liberal progressive recruiter invested in my business community,

Jessica R. Monette
EHS Hospitality Management, Inc.

From: Sean Harrington [<mailto:seanmharrington@gmail.com>]
Sent: Wednesday, October 24, 2018 2:42 PM
To: #CI-StPaul_Ward5 <Ward5@ci.stpaul.mn.us>
Subject: Minimum wage

Deaf city council members;

Do you love big corporate restaurants? Are Applebee's and Olive garden you're favorite places to go out to? Do you like ordering your food on tablets and having a body drop it off? Do you think all bars and restaurants should run like Chipotle? Do you hate service and personal interaction when going out? Love vending machines? Hate pesky small business owners and entrepreneurs? Then by all means, continue to ignore so very many of us screaming for a tip credit. Continue to disregard labor facts and trends that point towards jobs lost and automation. Continue to seek a pay cut in the guise of a minimum wage increase for me and mine. Go ahead, don't support a tip credit. I know you don't want to any way.

Sincerely
A muted constituent.

From: Andrew Johnson [<mailto:andrewpauljohnson13@gmail.com>]
Sent: Wednesday, October 24, 2018 5:44 PM
To: #CI-StPaul_Ward1; #CI-StPaul_Ward2; #CI-StPaul_Ward3; #CI-StPaul_Ward4; #CI-StPaul_Ward5; #CI-StPaul_Ward6; #CI-StPaul_Ward7
Subject: Please support a tip credit!

Hi everyone! I've been a server and bartender in the Minneapolis/St. Paul area for a decade. I've been involved with hundreds of other full service restaurant employees in the past year in an effort to get a tip credit. It is absolutely essential to the sustainability of our industry and my livelihood. I know that there has been a lot of union, and public support for raising the minimum wage to \$15 an hour. I can't express enough how IN FAVOR of that I am. But unfortunately we are not standing together because of vehement opposition to a tip credit. I strongly urge you all to reconsider that. I can't be there today in person to support the amendment because I have to work. I hope my voice counts, and that you all listen! Thank you for your time and careful consideration of this matter.

From: Jennifer Saltos <jennifer.saltos@yahoo.com>
Sent: Wednesday, October 24, 2018 10:31 AM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Tip Credit

Dear Mr. Dai Thao,

I'm writing to ask you to please include a tip credit amendment in the ordinance at today's Council meeting. I have been a full-time server for 32 years, and without a tip credit, my income would be drastically cut.

Thank you for your time and consideration.

Sincerely,
Jennifer Wallevand
WA Frost server

Sent: Wednesday, October 24, 2018 10:58 AM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Tip Credit

Hello Dai,

As a server at a St Paul restaurant I am writing you today to request that you include a tip credit in your ordinance to raise the minimum wage to \$15. I already make over \$15/hr with tips and including a tip credit will allow us to raise the wages of our hard-working kitchen staff without raising prices for our guests and jeopardizing business. Including a tip credit will help keep restaurant workers employed.

Thank you,
Anna Scallon

From: Kaleigh Cornwell <kaleigh.cornwell37@gmail.com>
Sent: Wednesday, October 24, 2018 11:01 AM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>; #CI-StPaul_Ward2 <Ward2@ci.stpaul.mn.us>
Subject: Support a Tip Credit

Hello,

My name is Kaleigh Cornwell and I have been a server in the food industry of St. Paul for about 15 years now. I would like to voice my strong opinion about implementing a tip credit in the minimum wage ordinance. Without a tip credit, I will find myself losing out on valued income that I work very hard for and pride myself on. Please help us in listening to what we have to say when we ask for you to support a tip credit. We work very hard for our income and it would be a shame to see it taken away from us.

Thank you for taking the time to read over my email on how important this topic of discussion is to me and my other fellow service industry workers.

Sincerely,

Kaleigh Cornwell

From: Swanson, Eliza M <eliza.swanson@usbank.com>
Sent: Wednesday, October 24, 2018 11:14 AM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Our City Needs a Tip Credit

Good Morning Councilmember Thao,

I am writing you today to strongly urge you to include a tip credit in the pending minimum wage proposal. I spent 10 years working as a server in the restaurant industry. Four years of that time was spent working in New Jersey and Pennsylvania, both tip credit states. During my serving career, I never experienced wage theft or sexual harassment as a result of working for tips or the tip credit.

A \$15 minimum wage without a tip credit will be detrimental to the St. Paul Restaurant Community. I have attended individual restaurant industry listening sessions with both of you, the owners have stated without a tip credit they will be forced to go to a service charge model which will decrease servers'

incomes. I have friends, family, and loved ones who work in this industry. These individuals will not be able to survive on a 20% pay decrease.

A tip credit tied to a \$15 minimum wage guarantees everyone makes \$15 per hour at all times. A tip credit is a win-win for all; workers, owners, and restaurant patrons. Workers get to keep their tips are still guaranteed to make \$15 per hour if it is a slow night. Owners survive on thin profit margins as is and will be able to stay afloat. Patrons will not have to pay increased menu prices, or have their power of choice when it comes to a tip stripped away. Without a tip credit, we will be hurting a whole community who supplies us with our happy hours and special occasion celebrations.

Please listen to the workers. The ones who spoke to you at the listening sessions. The 150 people who marched down Kellogg on September 17th to show you they want a tip credit included in our city's minimum wage ordinance. If you truly have the best interest for workers, you will include a tip credit in the minimum wage ordinance.

Thank you for your time.

Best,
Eliza
Eliza M Swanson

From: Peter E <peter424@hotmail.com>
Sent: Wednesday, October 24, 2018 11:33 AM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Supporting a tip-credit

Dear Council member Dai Thao,

I am a server at the downtown Saint Paul restaurant Meritage. I have been gainfully employed for over 10 years at Meritage and it's been an occupation that has supported myself and helped tremendously contribute to the support of my family. I am writing you today to request that you include a tip credit in your ordinance to raise minimum wage to \$15/hour. I believe and support all Americans right to earn a living wage. Including a tip credit will allow us to raise the wages of our hard-working kitchen staff without raising prices significantly overall for our guests and jeopardizing the business. Including a tip credit will help protect a viable occupation in Saint Paul, keep myself and many others gainfully employed and continue to generate a tax revenue for the city of Saint Paul.

I thank you very much for your time, service to our community & consideration in supporting a tip credit in Saint Paul.

My best regards,

Peter Eckholdt

From: Jessica Burns <jessicaburns@live.com>
Sent: Wednesday, October 24, 2018 11:41 AM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: tip credit

Hello Dai,

As a server and expediter for almost 3 years at Meritage, I am writing you today to request that you include a tip credit in your ordinance to raise the minimum wage to \$15. I believe in the right for all Americans to make a living wage, and I already make over \$15/hr with tips. Including a tip credit will allow us to raise the wages of our hard-working kitchen staff without raising prices for our guests and jeopardizing business. Including a tip credit will help keep restaurant workers employed and restaurants generating tax revenue for the city of St Paul.

Thank you,
Jessica Burns

From: Farkas, Al D <al.farkas@cbburnet.com>
Sent: Wednesday, October 24, 2018 12:40 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>; #CI-StPaul_Ward2 <Ward2@ci.stpaul.mn.us>
Subject: Tip Credit

My name is Al Farkas and I'm a 44 year old real estate agent that lives and works in Eden Prairie.

2 years ago I was able to do something that I never thought I would be able to do. And that was to pay off the mortgage in the first home I bought (rental property) in Chanhassen. I have also been fortunate to be able to maintain a mortgage on that property as well as being able to make my payments on the current home I live too. Not only this, but I have also refinanced my current home to a 15 year mortgage and will probably have that property paid off in the next 10 years as well.

The reason I write this is because I am also a 24 year veteran bartender in the restaurant industry. I wasn't born with a silver spoon in my mouth either. I was handed nothing in life, and built this all myself. Working nights, and weekends. All the while my friends with "real jobs" were going to weddings on the weekends and taking vacations, I was the guy stuck behind the bar that they would come visit always understanding that their friend needed to work on those big tip shifts. My friends didn't bother to ask me to be in their wedding. They just always assumed that I would be behind the bar anyways.

Now I don't bartend much anymore. But I do like to pop in and out every once in a while. The reason I write is that there is something that I am really passionate about. And that is the fact that people still think that bartenders like me still need raises. Why are we not allowing a "TIP CREDIT"? Yes we are technically minimum wage employees. But if i can afford to pay off a \$157,000 home in 15 years and have over \$100,000 in equity in a second home, all while making minimum wage to boot, you can guess that something must be up.

I understand that there are many people that can't live without \$15.00 an hour. And I am a strong supporter that we do whatever we can do to help those individuals. I am not one of them. Giving me and my fellow restaurant bartenders and servers raises will do nothing but force us out of jobs. It will also eliminate the smaller family owned restaurants. Just so companies (who house locations in non \$15.00 per hour cities) will be able to survive. You can get what you want. And a tip credit is a guarantee that every employee in and around the restaurant is getting the coveted \$15.00 an hour that the other side is wanting. So why isn't this being seriously considered.

SERVERS AND BARTENDERS WANT THIS. So give it to them! Keep individuality in restaurants and allow the smaller restaurants to survive. I don't need another raise! If you want to help me, give me health insurance instead!

Al Farkas
Bartender Patrick McGoverns Pub

From: michael noyes <mtnoyz@gmail.com>
Sent: Wednesday, October 24, 2018 12:21 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>; #CI-StPaul_Ward2 <Ward2@ci.stpaul.mn.us>
Subject: PLEASE SUPPORT A TIP CREDIT

Dear Mr. Thao and Ms. Noecker,

My name is Michael Noyes. I am a native and current resident of Saint Paul. I am a divorced father of four and have worked in the restaurant industry on all levels of service from dishwashing to owning a small restaurant in St. Paul. I have worked for 25 years primarily in the Twin Cities area. I currently work at two full service restaurants in Saint Paul as a server and I rely on my wages and gratuities to support my family. I work very hard to provide them with a good standard of living. Working as a server provides me with the opportunity to manage time and money in a way that I can provide what my kids need as well as some of their wants. While I'm not a rich man, I make enough money that I'm comfortable and happy. Furthermore, Working in restaurants allows for me to be flexible with my schedule so that I can spend quality time with my children. I have worked with countless other individuals that are in similar circumstances as mine. We share our gratitude for the work we have in the business we are in for these reasons. I have worked with single mothers and fathers, college students, high school students, 9 to 5 blue collar and corporate workers, teachers and many others.

I am writing today to urge you to support the tip credit in the city ordinance. Not having a tip credit would be detrimental to my ability to support my children in the business I am in. By not passing the tip credit, All levels of my industry will be affected. As both a server and with experience as a former owner of a full-service small restaurant on Selby Avenue I have seen the effects of wage increases. When the minimum-wage went from \$6.15 per hour to \$9.15 per hour a few years back, I was an owner of a restaurant. My partner and I took a \$60,000 hit that year. It was a full-time job in itself to manage our expenses to keep our bottom line down. While our salaries were affected, It also affected other staff members. Good Cooks are very hard to find in the restaurant business And very hard to keep without paying them a competitive wage. It was difficult to give them what they deserved for their work while

they watched servers get a three dollar an hour raise and still make gratuities. I was not able to give my cooks raises and I was forced to wait tables at my own restaurant and take away hours from servers I could provide jobs to in order to save money. The servers at my small restaurant made very good money. Many of them said they weren't in need of a wage increase because their tips adequately supported them financially. They built relationships with our customers and our customers were happy to compensate them for their service. We were forced to raise our prices which affected business negatively. With the long-standing cultural custom of gratuity -for-service remaining in place, everyone wins. The customers help pay the wage to the server, the server works hard to provide good service to the customers for the business in order to make money and keep the restaurant in business. The owners of the business keep their bottom lines and overhead down by sharing payment to their servers with the customer. In the end, businesses stay open and workers are paid well for their work. If I were not to make tips I would not be able to afford to support my children. If business owners of small restaurants in Saint Paul have to increase their wages paid to their servers, I assure you you will see many businesses close.

I urge you to support the tip credit. You will keep small business owners happy and in business And full-service restaurants will rarely have to meet the \$15 per hour minimum because service gratuities almost always exceed \$15 an hour. If it did not, you wouldn't see so many people in the business relying on gratuities to support their families because they would not be able to survive. It is not possible to survive and support a family on \$15 an hour. It is also not likely that servers will see a service charge in their paycheck. There will be wage theft with that system Because if owners can't afford to stay open Because of the wage increase, they will grow resentful and fearful, they will find a way.

Please vote today to support the tip credit.

Thank you.

Sincerely,
Michael Noyes

Hello, my name is Charles Lovejoy I am the lead bartender at the Happy Gnome. I've been in the industry for 25 years. 20 of those years as a tipped employee. My family has always been in the business of service. My brother was a general manager for 10 years and my sister worked her way through law school as a server. My mother is the executive director of The Family Place, the only day shelter in Ramsey County for homeless families. She serves the needy. Her father moved to MN from the Jim Crow South in 1934 to work as a waiter on the railroad a job he had for nearly 40 years. My grandfather had his master's Degree in chemistry but not many doors were open to Black men at that time. Even a well-educated man such as himself. He found a career in the service industry, one that allowed him to be home on the weekends to raise his four kids and even go to church on Sunday. He was a tipped employee. Like my Grandfather I've found a career that allows me and my wife, who is also an industry professional with 20 years of experience. to raise 3 children take them to and pick them up from school be home with them when they're sick. We are tipped employees. The opportunities and pay rates in this business are literally limitless. I want to state that I am unequivocally, undoubtedly for the greater good of our society. Raise the minimum wage please. But I fear that without a tip credit for full service restaurants the opportunities for people of color in my industry to make significant life stabilizing money will begin to vanish. Every restaurant that closes or is forced to cut staff and hours or freeze pay rates would diminish chances for people of color to succeed. According to the Bureau of Labor Statistics our industry is in the top ten for people of color in management positions. Showing how truly accessible

upward movement is for people of color in our industry. Let's keep that going. Thank you for your time and consideration.

From: Julia Dunnwald <dunnw007@umn.edu>
Sent: Wednesday, October 24, 2018 1:37 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Including Tip Credit in Ordinance

Hello Dai,

I am a University of Minnesota student from St. Paul originally who relies on tips to support my education. I am currently out of the country so I am unable to make it to the capital today. I urge you to vote for including a tip credit in the ordinance for \$15 minimum wage today. I am in full support for raising the wages for employees in St. Paul but tips are very important to me and many others in the service industry. They have a tip ordinance in Minneapolis and I think it would work just as well in St. Paul. Thank you so much for reading and taking into account the opinions of citizens throughout the city!

Thank you!

Julia Dunnwald

From: Lori Luchsinger <loriluchsinger@yahoo.com>
Sent: Wednesday, October 24, 2018 2:01 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Tip credit

Council member Thao,

I want to thank you for all of your hard work on the minimum wage issue. I appreciate that you are listening to all those affected and carefully considering each nuance and position that you have been presented with.

In the end, I think we're all hoping to do more to help than harm, which brings me to my motivation for this note.

Please consider all of us who will most certainly lose income if a tip credit is not included in this law. I urge you to support a tip credit and keep the restaurant industry in Saint Paul successful and vibrant.

Thank you,

Lori Luchsinger

From: Robert Manning <tintochef@gmail.com>
Sent: Wednesday, October 24, 2018 2:03 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Tip credit

Hello councilman. My name is Robert Manning. I'm a constituent in your ward. I support the need for a tip credit.

From: Jessica Monette <JMonette@ehshospitality.com>
Sent: Wednesday, October 24, 2018 2:26 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: RE: Tip Credit consideration

Dear CM Thao,

I must keep this relatively brief as I am at work placing hospitality and restaurant managers with growing, progressive organizations who work tirelessly to take care of their workers on their own diligence, with basically limited to no business supports other than the loyalty and understanding of their teams, but...

Please consider voting for a tip credit. Tipping is an elective business model in the first place that restaurants can opt in or out of; and, considering the facts that a tipped model restaurant is the most competitive in this market (as it currently stands) leaving businesses rudderless in absence of other supports (for example, on business model transition, small grants to buoy the change, etc.), what you are really hurting here, in my experience as a talent recruiter for such businesses (of varying business models in the industry; including Value Added Tax or service fee models) is the capability of small to medium, local businesses to have the ability to employ and activate wage earners.

Believe me, I interact with various restaurant business owners on a daily basis—MANY of whom identify as DFL, Liberal, and/or progressive—and many are already doing ALL they can to provide a quality of life balance, incentives, or upping their own minimum wages, to remain competitive and service-driven. An absence of an elective tip credit—emphasis on ‘elective’—hurts these small businesses. Hospitality/restaurants are proven time and again the litmus of healthy local economies, and is the top industry providing a managerial tract for those without post-secondary educations, women, and POC. In an era where we are conscious of the success and failures of systemic racism, classicism, and access, I urge you to consider what creating another unsupported hurdle for these businesses would do to local economies. These are people who are incredibly supportive of being able to provide all of their workers an (at least \$15/hr) livable wage, but if forced the hand to either radically change their business model, or cut back overall on staff to be able to keep the lights on, you will see people who are otherwise facing barriers to employment—good, tax-paying, hardworking people—lose their options.

For the record, the vast majority of the clients we work with start their back of the house and floor staff between \$14-18/hr. That’s the ***actual*** competitive wages in this market.

Thank you for your time, and I hope you consider these remarks above political expedience.

Sincerely, a liberal progressive recruiter invested in my business community,

Jessica R. Monette
EHS Hospitality Management, Inc.

From: Ligeia Baumhofer <baumhoferl@gmail.com>
Sent: Wednesday, October 24, 2018 2:56 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Tip line

Please include a tip credit for the ordinance!

From: Stephanie Olson <solson3071@gmail.com>
Sent: Wednesday, October 24, 2018 3:01 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>; #CI-StPaul_Ward2 <Ward2@ci.stpaul.mn.us>
Subject: Tip credit

Please include a tip credit on the ordinance.

Thank you!

From: Srinivas Seshadri [<mailto:srinisesh@hotmail.com>]
Sent: Saturday, October 27, 2018 4:02 PM
To: #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>
Subject: Request to support the original ordinance, not corporate-backed amendments! for \$15 per hour

My name is Seshadri Srinivas and I'm your constituent. I am extremely disappointed that you voted to delay raises for thousands of working families. Please meet with workers and come up with a schedule that gets workers raises more quickly. You have an opportunity to be part of scoring a major victory for every worker in Saint Paul. That's why I'm calling on you to move forward in support of the original ordinance, not corporate-backed carve-outs and delays, like ANY form of tip penalty or policy that treats tipped workers differently. Thank you!

Seshadri Srinivas
173 McKnight Road N

From: JL Sramek [<mailto:jip7766@gmail.com>]
Sent: Saturday, October 27, 2018 2:22 PM
To: #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>
Subject: Support \$15 One Fair Wage and No Delays for Tipped Workers: No Tip Penalty

I am reaching out because I support the strongest possible \$15 One Fair Wage ordinance for workers in St. Paul. Right now 40% of St. Paul lives in poverty; our city needs to raise the wage now, for all workers, including tipped workers. I need you to pass a \$15 minimum wage ordinance with One Fair Wage for all workers in St. Paul without different treatment or delays for tipped workers. I need One Fair Wage and NO TIP PENALTY. Thank you for dedication to working people in St. Paul and your commitment to One Fair Wage.

Since the 70's when skilled workers were earning wages which they actually could live on, wages have fallen way behind inflation. CEOs are given huge bonuses even if they fail to deliver while the workers

are struggling and unable to meet their living expenses. Our country has become seriously out of touch with reality. How can we compete with others in the global market when we are behind before we start?

Sincerely,
Jo-Ann Sramek

From: Jody Fritzke [<mailto:thefritzkes@aol.com>]
Sent: Saturday, October 27, 2018 12:06 PM
To: #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>
Subject: Support \$15 One Fair Wage and No Delays for Tipped Workers: No Tip Penalty

I am reaching out because I support the strongest possible \$15 One Fair Wage ordinance for workers in St. Paul. Right now 40% of St. Paul lives in poverty; our city needs to raise the wage now, for all workers, including tipped workers. I need you to pass a \$15 minimum wage ordinance with One Fair Wage for all workers in St. Paul without different treatment or delays for tipped workers. I need One Fair Wage and NO TIP PENALTY. Thank you for dedication to working people in St. Paul and your commitment to One Fair Wage.

From: Robert DuFault [<mailto:rdufault@comcast.net>]
Sent: Saturday, October 27, 2018 1:34 PM
To: #CI-StPaul_Ward2 <Ward2@ci.stpaul.mn.us>; #CI-StPaul_Ward5 <Ward5@ci.stpaul.mn.us>; #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>; Robert DuFault <rdufault@comcast.net>
Subject: Wage scale for restaurant employees

Council members Prince, Noecker, Brendmoen:

We are in the habit of going out to eat quite regularly. We are nearly always impressed with the speed, agility, and friendliness of the women and men who wait table for us. We have become aware of the rather pathetic wages they earn for this exemplary work. We regularly ask them if tips accrue to them or to a common tip pool, and whether the tips go to management or directly to them. If it goes directly to them, we will tip well in excess of the expected percentage, and write the tip into the bill. If it must be shared with management, we will offer a cash tip, with instructions to stuff it deep into their pocket - and sometimes write a nominal tip into the bill as well. If the food is exceptionally good, we will offer a larger tip and ask them to share it with the kitchen staff.

Please take whatever steps you can to assure that these fine people are paid a living wage. Even at \$15.00/hour, it is far less than we pay for cleaning services.

Robert DuFault / Ann Wilcox

From: Margaret Dukes [<mailto:mcorbettd@gmail.com>]
Sent: Saturday, October 27, 2018 11:44 AM
To: #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>
Subject: Support \$15 One Fair Wage and No Delays for Tipped Workers: No Tip Penalty

I am reaching out because I support the strongest possible \$15 One Fair Wage ordinance for workers in St. Paul. Right now 40% of St. Paul lives in poverty; our city needs to raise the wage now, for all workers,

including tipped workers. I need you to pass a \$15 minimum wage ordinance with One Fair Wage for all workers in St. Paul without different treatment or delays for tipped workers. I need One Fair Wage and NO TIP PENALTY. Thank you for dedication to working people in St. Paul and your commitment to One Fair Wage.

From: Marissa Prill <marissaprill93@gmail.com>
Sent: Wednesday, October 24, 2018 3:01 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: Tip Credit

Dear Dai,

I am unable to be present at the City Council meeting seeing as I have work at 4pm today. I am writing in hopes to change your mind and to vote to pass the tip credit.

I am 25 years old and am in school full-time. I also work full-time in order to afford the cost of living. I pay for school out of pocket, rent, utilities and necessities all on my own, seeing as both my parents have passed on. I am able to pay for these things because I am a bartender and make good money, along with having the flexibility and hours I need in order to still be able to focus on school and homework. Please reconsider the tip credit for us who would be struggling worse otherwise.

Thank you for your time.

Sincerely,
Marissa Prill

From: JP <jpattorney@gmail.com>
Sent: Wednesday, October 24, 2018 3:05 PM
To: #CI-StPaul_Ward1 <Ward1@ci.stpaul.mn.us>
Subject: tip credit

PLEASE support this! Talk to workers. Not getting an exception to the \$15 an hour is death for restaurant workers. I say this as a former Public Defender with a clear understanding of cycles of poverty.

Jennifer Pradt

St. Paul resident and voter since 1987

From: Nicole Everling [<mailto:wolf0704@gmail.com>]
Sent: Saturday, October 27, 2018 2:10 PM
To: #CI-StPaul_Ward7 <Ward7@ci.stpaul.mn.us>; #CI-StPaul_Ward2 <Ward2@ci.stpaul.mn.us>; #CI-StPaul_Ward5 <Ward5@ci.stpaul.mn.us>
Subject: Higher minimum wage for restaurant workers

I'm reaching out because I support the strongest possible \$15 One Fair Wage ordinance for workers in St. Paul. Right now 40% of St. Paul lives in poverty; our city needs to raise the wage, now, for all workers, including tipped workers. I need you to pass this minimum wage ordinance without different treatment or delays for tipped workers. And NO TIP PENALTY. Please continue to listen to the voices of the workers, not the business lobby. As someone who enjoys the many restaurants

available in St. Paul, it's horrifying to think that the servers and cooks who work as hard as they do so a customer like me can have a good meal can't still meet their basic needs, like rent. Thank you for dedication to working people in St. Paul and your commitment to One Fair Wage.

Thank you,

Nicole Everling

Dear Councilor Nelson,

I'm your constituent, and I would like to tell you that **I am disappointed to know that your group voted against the interest of individuals living in this city.**

I believe the \$15 Now campaign is advocating for the people's interest, while your group's voting result reflected a reluctance to address the people's economic reality.

Mayor Carter has made it clear in his April State of the City address that he personally supports the \$15 Now minimum wage in the whole city territory. I like his stance on this issue.

Your decision to vote with the rest of the council makes me feel very disappointed. I would like to you switch your vote to support my cause.

The original plan with a phase-in schedule is a win-win proposal for both workers and business owners. I would like you to adopt the original plan that already gave corporate a generous phase-in period. I do not accept any delay to the \$15 Now proposal.

Thank you for your attention.

Yours sincerely

Catherine Dahlberg

My name is Andre V. and I'm your constituent. I am extremely disappointed that you voted to delay raises for thousands of working families. Please meet with workers and come up with a schedule that gets workers raises more quickly. You have an opportunity to be part of scoring a major victory for every worker in Saint Paul. That's why I'm calling on you to move forward in support of the original ordinance, not corporate-backed carve-outs and delays, like ANY form of tip penalty or policy that treats tipped workers differently. Thank you!

Fifteen dollars an hour is hardly the huge sum that its opponents make it out to be. Fifteen an hour would be about thirty two thousand dollars a year. Hardly close to the middle class.

One reason that workers are attempting to raise city level wages is that the federal government will NOT do its job. \$7.25 an hour is not even close to a livable wage.

Some opponents of the original Saint Paul bill want to play games with tips. Very few tipped workers really make that much in tips and it is somewhat degrading to have to depend on the generosity of one's patrons.

Pass a clean bill without the corporate attachments.

FIFTEEN AN HOUR IS BOTH ECONOMICALLY AND MORALLY CORRECT. Thank you

Karl Meller

1806 Third Ave So

Minneapolis 55404



October 25, 2018

Jane L. Prince, Councilmember
St. Paul City Council
320-C City Hall 15 Kellogg Blvd. West
Saint Paul, MN 55102

RECEIVED

OCT 29 2018
CITY COUNCIL
WARD 7

Re: \$15 Minimum Wage Ordinance

Dear Councilmember Prince:

As a concerned member of the franchise business community in St. Paul, I write to express my suggestions and concerns as you contemplate a new minimum wage law.

I respectfully request a longer phase-in period for all businesses, whether large or small, in order to ensure all parties are able to make the appropriate adjustments to any new requirements.

The language of the legislation currently treats franchised business as large business requiring a 5 year accelerated time frame for implementation of \$15 per hour. **Local franchised businesses are in fact locally owned and operated small businesses that allow hundreds of thousands of Americans to participate in the American dream.** Many of our franchisees are St. Paul based small business owners (often home based businesses) that work very hard every day to make ends meet in a responsible way to make the community a better place.

Franchises are responsible for over 152,500 Minnesota jobs and \$5.2 billion in annual payroll across 15,000 establishments. What many do not understand is the franchise model is involved in over 300 different lines of business ranging from pet care to early child education to hotels and everything in between. Under the franchise model, it is the franchisees who own the stores, not the corporate entities. As such, I respectfully request that franchised business be treated as small business.

I am respectfully requesting St. Paul not pick winners and losers among businesses. One of the goals of any new minimum wage policy should be to ensure a level playing field for all St. Paul business owners, not singling some out for no other reason other than their decision to align with a specific brand.

Thank you for considering my views.

Regards,

Kevin L. Johnson
President
KLJ Ventures, Inc.
Jan-Pro Cleaning Systems – Twin Cities

JAN-PRO Twin Cities

33 – 10th Avenue South, Suite 200 • Hopkins, MN 55343

Phone: 952-238-1005 • Fax: 952-933-5455

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