



September 12, 2018

Mayor Melvin Carter & St. Paul City Council
300 City Hall
15 W Kellogg Blvd,
St Paul, MN 55102

Dear Mayor Carter and Members of St. Paul City Council,

I am writing to you today on behalf of the Minnesota Restaurant Association and our 100+ members operating in the city of St. Paul, to provide our comments on the Citizen's League Report. Our hospitality members support a \$15 minimum wage. We agree that addressing poverty in the city of St. Paul is critical, but it is important to recognize that increasing the minimum wage will not alone solve this problem. We caution that the result of any blanket increase may create unintended consequences that could negatively impact the people and businesses the ordinance seeks to empower.

We call on you to carefully consider this information and listen to the concerns of the restaurateurs, owners and staff. Restaurants operate on small profit margins. Any cost increase has a compounding effect on businesses - especially small ones - leading to a serious negative impact and viability of the business. We are concerned that the individuals that are to be served by the increase are employed at companies that are least able to adjust to manage the change.

Please be thoughtful in the structure of the minimum wage ordinance. Any time labor costs increase, ancillary expenses such as workers compensation, social security, and income tax withholdings compound the wage increase for the employer. We are not critical of those programs, but seek to inform all on the total impact of wage increases on a restaurant employer. Hospitality-related businesses will adapt by raising prices, cutting staffing levels, and drastically changing business models to adjust to increased labor costs. For restaurants, this will lead to guests dining out less often, or choosing dining options in neighboring cities. For our staff, it will mean less flexibility in their hours and a reduction in tipped income.

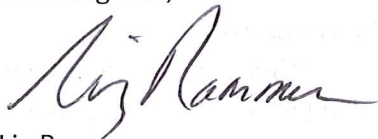
We support a minimum wage increase that fairly addresses the following key issues:

- Implementation Phase-in
The negative impact of the \$15 minimum wage will be greatest among our smallest employers. A phase-in will help minimize the harm to these employers.

- Recognize a Tipped Wage
Tipped workers, primarily full-service restaurant workers, typically earn much higher pay than \$15/hour. There is a pay gap between service and kitchen employees. With tips, the service staff is already paid more than the kitchen team. Failure to recognize tips as wages will make this gap larger. Imposing a flat minimum wage will force employers to raise prices to pay for wages and could lead to reduced patronage as well as customers ending the practice of tipping. Employers pay taxes on tips claimed so it is reasonable to recognize them as part of the wage to reach the \$15 minimum.
- Fair Treatment of Franchisees
In the discussions to date, franchisees seem to be considered national corporations. They are not. Franchisees own and operate their independent business under a national brand. The ordinance should treat franchisees as it treats any similarly-sized business.
- Implement a Youth Wage Rate
The most likely consequence of not making an exception allowing a reduced youth wage is that adults from nearby suburbs will displace youth from jobs in St. Paul.

Thank you for your thoughtful consideration of our comments. We hope that the City will take these concerns seriously and implement these considerations into the new minimum wage ordinance. Please feel free to contact me at 651.925.4011 and liz@hospitalitymn.com.

Best Regards,



Liz Rammer
President & CEO