



Connie Verceles
Economic Development Manager
City of Sunnyvale

RE: Proposed Minimum Wage Increase in Sunnyvale.

I wanted to follow up on the discussion we had at the community outreach meeting regarding the proposed minimum wages increase. The Sunnyvale Chamber of Commerce Board of Directors has discussed the proposed minimum wage increase and has made the following observations:

Although it is unusual for local Chambers to support the minimum wage increase, The Sunnyvale Chamber of Commerce recognized and supports the concept that sound "economic development" is directly linked with good paying jobs. We also agree that the minimum wage earners are entitled to merit wage increases, which has not occurred in some industries.

However, we also recognize that businesses that employ primarily minimum wage earners will be the most effected and will need to adjust "up" their prices or lower the total number of employees to realize the same profits. Consequently, we would likely endorse increasing the minimum wage so that employees and families can have a better opportunity and respect from our community as a whole. We are likely to oppose the minimum wage increase if it is tied to the CPI.

We have found that many businesses both in the fast food, restaurant, and hospitality sector have already voluntarily raised their lowest paid employees to \$10/hour or above.

Our proposal is one that respects both the business voters and the public sector voters. Our primary concern is the lack of predictability, the loss of control, the potential lack of equity between the CPI and the economy, and the inconsistency in linking the minimum wage with the CPI index.

We are likely to support increasing the minimum wage to \$10/hour (to be in step with the State) or even begin at \$10.10/hour (to be in step with the proposed federal minimum wage). Our recommendation is that the City Council approved a fixed minimum wage and reviews the minimum wage periodically whether it be every 2, 3 or 4 years and adjust it to a predictable and fixed amount, eliminating the CPI method.

The complication, ambiguity, and uncertainty in using the CPI are many, whereas having a fixed minimum wage is far more business friendly, predictable, understandable and accomplishes the same

result. We believe this is a fair compromise that will fulfill the concept of a respectable minimum wage while at the same time respecting the business community and reinforcing that Sunnyvale is a business friendly City.

Reason for not supporting an Annual CPI Adjustment of Minimum Wage:

- Changing the minimum wage annually is administratively costly and inconvenient for businesses. Thus creating a business community that is inconvenienced by the City ordinance rather than implementing a more business friendly approach that obtains the same result.
- The CPI index is unpredictable and makes it impossible for businesses to budget for the following year. Also creating a business community that is inconvenienced by the City ordinance rather than implementing a more business friendly approach that obtains the same result.
- The CPI formula is arbitrary, complicated, and varies between regions or even neighborhoods. Again creating a business community that is inconvenienced, confused, and disorganized by the City ordinance rather than implementing a more business friendly approach that obtains the same result.
- The CPI formula for minimum wage increase is likely to be challenged in the courts as to its accuracy. And can be challenged city by city and region by region. There are many methods of calculating the CPI index. None of which are jointly adopted by states, counties, cities, or the nation.
- A fixed minimum wage allows businesses to predict the immediate future and to be able to submit accurate budgets to their corporate office and to their Board of Directors. Using a CPI index taints that process and makes business management inaccurate and difficult. Again creating a business community that is inconvenienced by the City ordinance rather than implementing a more business friendly approach that obtains the same result.
- The City and the business community have no control over the CPI index or its effects to businesses in the future. The advantage of a fixed and controllable minimum wage is that the City Council can adjust it according in both good and very bad economic times.
- New businesses planning to come to Sunnyvale will not be able to provide a projected feasibility study or projected profit and loss statements with the required accuracy, therefore discouraging business recruitment and a business friendly environment in Sunnyvale.

- The uncertainty and difficulty of a CPI adjusted minimum wage threatens business retention and the perceived image of the City as being business friendly.
- The State and the Federal Government have both studied the CPI adjustment option and the fixed minimum wage option and both have selected the fixed minimum wage option. San Jose does not have a reputation of making the best decisions when it comes to wages, quality of life, pension reform, planning, facility maintenance, and public safety. We do not recommend following their lead.
- Although we understand the reasoning behind tips and commissions being considered wages, we do not see a business friendly method of implement such a concept as a tip or commission credit.
- If there is an automatic CPI increase annually, then there is no incentive for business to have a “merit” increase for their employees. Thus creating a more argumentative working environment and controversy over equitable pay and advancement for employees. Thus threatening employee retention.
- An annual increase in the CPI index does not indicate that the economy or consumer purchasing is going up. As the CPI increases it is also likely that the consumer spending is down, and the economy has weakened, especially in the restaurant business. Again discouraging and disenfranchising the business voters and their perception of Sunnyvale as being a business wise and business friendly community.

Don Eagleston

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President and CEO

Sunnyvale Silicon Valley Chamber of Commerce