



May 1, 2014

Honorable Jim Griffith
City of Sunnyvale
456 West Olive Avenue
Sunnyvale, CA 94086

Re: Proposed Minimum Wage Ordinance: Opposed

Dear Mayor Griffith and Council Members:

On behalf of the members of the California Restaurant Association, I am writing to respectfully express our strong opposition to adopting an Ordinance that would establish a higher minimum wage within the city of Sunnyvale.

Most recently, Governor Jerry Brown signed into law AB10, which raises the state's minimum wage to \$9 per hour by July 1, 2014 and by January 1, 2016 to \$10 per hour. Therefore, the city of Sunnyvale should not put its local businesses at an unfair disadvantage.

With razor-thin profit margins, between three to five percent, minimum wage increases often have a perverse effect on the restaurant industry. Minimum wage increases typically benefit tipped employees who earn the most. A minimum wage increase would ultimately hurt those it intends to help: hardworking non-tipped employees who are paid hourly wage greater than the minimum wage, but are still at the lower end of the pay scale. The added cost pressures from the mandatory annual increase for the employees already earning the most takes finite labor dollars an operator may have and reduces, if not eliminates, their ability to provide hourly employees with a wage increase.

Raising the minimum wage forces restaurants and other small businesses to make unfortunate operational decisions to meet the increased labor costs. Restaurants have no choice but to adjust their business plans and budgets, which may mean forgoing expansion and/or reducing hours and opportunities for employees. Furthermore, this increased cost of doing business could also discourage new businesses from locating to Sunnyvale and encourage existing businesses to relocate outside the city limits. Consequently, this could potentially have a significant negative impact on the city's treasury.

Furthermore, an increase in minimum wage would not only increase hourly employees' wages, but also other employer costs as well. The annual wage increase could also result in a corresponding annual increase in the amount of temporary and permanent disability benefits paid out to employees through worker's compensation. This increased cost to insurance carriers would likely be passed onto employers through increased premiums. Neither small nor large businesses can afford such increased business cost at this time when the economy continues to recover to pre-economic recession levels. Additionally, many employers will have another major cost to factor in with the implementation of the Affordable Health Care Act.

Indexing puts the minimum wage on autopilot and is disastrous for the city of Sunnyvale. By tying increases in minimum wage to a single economic factor (inflation) and ignoring other factors such as the strength of the job market, indexing will inevitably result in increases in the minimum wage at times when the economy is ill suited to absorb new cost pressures, as we have seen in other states.

Again, we strongly urge you to not move forward with an Ordinance that would hurt businesses and potentially result in less employment opportunities in Sunnyvale.

Should you have questions, please contact me at 408.416.6344 or jgonzalez@calrest.org.

Sincerely,



Javier M. González
Director, Government Affairs + Public Policy
California Restaurant Association

