

Mayor's Economic Development Advisory Panel

Re: Consideration of drastically raising the minimum wage.

Dear Panel,

My name is Dan Ferreira. I opened La Val's Pizza on Bay Farm Island over 34 years ago in 1984. A little about my background. I am a 1977 graduate of St. Joseph High School. I got a job as a pizza delivery driver in 1980. I worked my way up into management and eventually opened La Val's when I was 24 years old. I never would have had the opportunity to open my own restaurant if it wasn't for the amount of hard work I put into advancing my career. My partner of 25 years is David Mann who is also a longtime Alameda resident and Alameda High graduate.

We have survived a few recessions including the one that hit the hardest back in 2008. Being a restaurant owner has had it's risks. The first few years I barely made more than my minimum wage employees. The small business landscape back then did allow for me to survive the up's and downs of an economy that at times were tough. What helped us survive was that pizza was always an affordable option for families to eat when times were tough. But lately to the ever increasing cost of doing business, we have had to raise prices every year and pizza is not as affordable as it once was. We are afraid of our survivability the next downturn in the economy.

I understand that the City of Alameda is considering increasing the minimum wage much faster than the state law that passed in 2016. So instead of being at \$11.00 per hour on January 1st, 2019, it would increase to \$15.00. That's basically a 43% increase of our labor expense over what we currently spend and a 50% increase over what we spent in 2017. In 2017 our payroll was \$257,000. Payroll taxes were another \$35,000. What your considering will raise the cost of labor for Dave and I an additional \$128,500 over what we paid in 2017. After paying myself \$30,000 a year salary and my partner \$45,000 in salary, we had a net profit of \$88,000. If we were to not raise prices and hope we do the same volume of business considering the economy stays where it's at, that would leave my partner and I only \$34,500 to split between the two of us salary and profit included.

Yes, we will have no alternative but to increase prices dramatically. At least with the state law, the yearly increases were modest enough that we could gradually raise prices without having sticker shock to our customers. A 43% increase over our current payroll will force my partner and I to significantly raise prices overnight in order for us to maintain the income we both currently live on. The impact that will have is unknown. What percent of our current customer base will either stop ordering from La Val's or cut back the number of times on average they order because they just can't afford it anymore? A significant increase to the cost of doing business is going to greatly impact the survival of our business. One thing I hope you understand is that when paying \$15.00 per hour, the actual cost to the restaurant is closer to \$18.00 per hour when you factor all the costs associated with base pay. Payroll taxes, workers comp insurance and sick pay add close

to an additional 20%. That means a full time pizza maker will cost the restaurant over \$37,000 a year.

You need to understand the makeup of our work force. A majority of our employees are under the age of 21 who still live at home and go to school. Most of them got their first job at our restaurant. We only have one employee who made La Val's a career choice and he is at \$16 per hour. We have 23 employees. Most of them part time. We can't go above the 23 employee threshold because when you add Dave's and mine salary we are at the 25 employee limit before we would be required to be at the higher minimum wage. So the current laws do in affect our decisions regarding hiring employees.

We have seen everyday what the mandatory increases are doing to the employees. They have lost all incentive to try and earn a pay increase because they already know they will be getting one anyway at the end of the year. What this has done is made it impossible for us to award pay increases because we are forced to give raises to those that don't deserve it. This has had a negative effect on job performance all around. The hard workers see that the employees who slack still get the same raises as those that go the extra mile. The incentive is no longer there. This is causing a decline in production that my partner and I have to try and make up ourselves or accept the consequences of poorer service which in turn causes sales to drop.

And have you considered that a large percentage of employees in the restaurant industry are tipped employees who make a significant amount over minimum wage? Every minimum wage increase also goes to those tipped employees.

I grew up in Alameda. I think part of what makes us a great town is all the mom and pop owner operator businesses that Alameda has. There are not a lot of corporate chains when compared to how many small businesses there are. I can guarantee that significantly increasing the cost of doing business overnight will have an adverse affect on a lot of small business owners more so than the deep pocket corporations. In fact, they might welcome the wage increases because they will more than likely survive and see their small business competition slowly go away. With the increasing cost of doing business in California, survival is getting much harder. Rents, insurance, taxes, food costs have seen a large increase the last ten years. And now labor is becoming probably the single biggest expense for us small business owners.

My partner and I would like to think we will remain small business owners in Alameda for many years to come. To continue to provide employment to those in the community who needs a job. This isn't a threat that we will have to shut down but it is a reality that the risk of doing so is going to greatly increase with a sudden drastic increase to the cost of labor.

Alameda should bill itself as being small business friendly. After all, it's those small businesses that make Alameda what it is.

Lastly, do you really think that a minimum wage employee at \$15.00 per hour can afford to live in Alameda? Also, any wage increases doesn't necessarily mean more buying power when small businesses have to increase the cost of goods and services. The only true winners in increased labor costs is the government. They will collect more in payroll taxes, income taxes and there will be an increase in sales taxes due to an increase in prices.

Sincerely,

Dan Ferreira & David Mann
Co Owners
La Val's Pizza of Alameda
891-E Island Drive
Alameda, CA 94502
510-521-7711