March 30, 2015

The Honorable Curren D. Price, Jr.
Chair, Economic Development Committee
Los Angeles City Council
200 N. Spring Street, Room 420
Los Angeles, CA 90012

Dear Chairman Price:

As your committee takes public comment on the recently produced studies on increasing the minimum wage for Los Angeles workers, the hotel industry calls upon you to carefully consider the fairness and efficiency of having a separate wage ordinance for the workers of a single industry. The "Hotel Worker Minimum Wage Ordinance" is already proving to have unintended consequences and should be rescinded in favor of a single ordinance for the benefit of all workers in the city.

The hotel industry is proud of the jobs we offer, and we are proud of the role we play in the economy of Los Angeles. Hotel industry jobs have enabled countless individuals to climb the ladder of opportunity and build life-long careers. However, given the unintended consequences of the hotel-only ordinance – such as conflicts with federal labor law and the fact that already well-compensated tipped employees appear to be the biggest beneficiaries of the wage increase – we ask that the Council use the current wage debate to reconsider the justification for singling out our industry for a separate, complex ordinance.

In the University of California, Berkeley study recently produced for the committee, the complexity and unfairness of the "Hotel Worker Minimum Wage Ordinance" is noted: "By setting a higher minimum wage for all workers in the city, the proposed policy would lessen any *competitive disadvantage created by the hotel minimum wage law* [emphasis added]."

We are prepared to work with the committee on an increase that is balanced, fair and across the board, to benefit *all* workers. Simply put: one city, one wage.

As you consider proposals to increase the overall minimum wage for workers in the city, we believe there is an opportunity to develop a balanced policy that provides parity for all employers and employees, including hotels and hotel employees. And we look forward to working with the committee in that process.

Should you have questions or need additional information, please do not hesitate to contact us.

Sincerely,

Katherine Lugar
President and CEO
American Hotel & Lodging Association

Lynn Mohrfeld
President and CEO
California Hotel & Lodging Association

Bob Amano
Executive Director
Hotel Association of Los Angeles

cc: Members of the Economic Development Committee

Date: 3/31/15

Submitted in Econ-Dev. Committee

Council File No: 14-1371, 14-1371-S2

Item No.: 1 14-1371-S1

Deputy: Communication from the Public

Why Not to Raise the Minimum Wage

Since 1943 the California Minimum Wage has been raised on an average of every 3 years. The largest rise was 44% in 1947 increasing from $.45 to $.65/hour. All but 4 out of 24 increases have been greater than the change in CPI and therefore have gone beyond helping workers keep up with general costs.

The number of increases indicates that increasing Minimum Wages has really done nothing to improve the short or long term circumstances of workers.

For workers to improve their economic circumstances they must enhance their value by learning English and acquiring either technical or administrative skills to offer employers.

Living expenses resulting from a worker's assumption of responsibility for a spouse or children is their decision and not the responsibility of employers.

Prepared by: Robert L. Rodine
The Polaris Group
March 31, 2015

Minimum Wage History and Analysis

Source: Industrial Welfare Commission (IWC)
History of California Minimum Wage

Effective Date	Old Minimum Wage	New Minimum Wage	Amount of Increase	Percentage of Increase	Interval in Years	CPI History	Wage Gain Over CPI Increase	Events	Governor	State Senate/ Assembly Majority
01/01/1918	$0.16	$0.21	$0.05	31.25%		18.00%	13.25%			
01/01/1919	$0.21	$0.28	$0.07	33.33%	1.00	14.60%	18.73%			
01/01/1920	$0.28	$0.33	$0.05	17.86%	1.00	15.60%	2.26%			
02/08/1943	$0.33	$0.45	$0.12	36.36%	23.12	6.10%	30.26%	Wartime	Warren - R	R
06/01/1947	$0.45	$0.65	$0.20	44.44%	4.31	14.40%	30.04%	Post War	Warren - R	R
08/01/1952	$0.65	$0.75	$0.10	15.38%	5.17	1.90%	13.48%	Wartime	Warren - R	R
11/15/1957	$0.75	$1.00	$0.25	33.33%	5.29	3.30%	30.03%		Knight - R	R
08/30/1963	$1.00	$1.25	$0.25	25.00%	5.79	1.30%	23.70%		Brown - D	D
08/30/1964	$1.25	$1.30	$0.05	4.00%	1.00	1.30%	2.70%		Brown - D	D
02/01/1968	$1.30	$1.65	$0.35	26.92%	3.42	4.20%	22.72%	Vietnam	Reagan R	D
04/01/1974	$1.65	$2.00	$0.35	21.21%	6.17	11.00%	10.21%	Viet/Recess	Reagan R	D
10/18/1976	$2.00	$2.50	$0.50	25.00%	2.55	5.80%	19.20%		Brown - D	D
04/01/1978	$2.50	$2.65	$0.15	6.00%	1.45	7.60%	-1.60%	Carter Inflat	Brown - D	D
01/01/1979	$2.65	$2.90	$0.25	9.43%	0.75	11.30%	-1.87%	Carter Inflat	Brown - D	D
01/01/1980	$2.90	$3.10	$0.20	6.90%	1.00	13.50%	-6.60%	Carter Inflat	Brown - D	D
01/01/1981	$3.10	$3.35	$0.25	8.06%	1.00	10.30%	-2.24%	Carter Inflat	Brown - D	D
07/01/1988	$3.35	$4.25	$0.90	26.87%	7.50	4.10%	22.77%		Deukmejan - R	D
10/01/1996	$4.25	$4.75	$0.50	11.76%	8.26	3.00%	8.76%		Wilson - R	D
03/01/1997	$4.75	$5.00	$0.25	5.26%	0.41	2.30%	2.96%		Wilson - R	D
09/01/1997	$5.00	$5.15	$0.15	3.00%	0.50	2.30%	0.70%		Wilson - R	D
03/01/1998	$5.15	$5.75	$0.60	11.65%	0.50	1.60%	10.05%		Wilson - R	D
01/01/2001	$5.75	$6.25	$0.50	8.70%	2.84	2.80%	5.90%	Recession	Davis - D	D
01/01/2002	$6.25	$6.75	$0.50	8.00%	1.00	1.60%	6.40%		Davis - D	D
01/01/2007	$6.75	$7.50	$0.75	11.11%	5.00	2.80%	8.31%	Recession	Schwarzeneger - R	D
01/01/2008	$7.50	$8.00	$0.50	6.67%	1.00	3.80%	2.87%	Recession	Brown - D	D
07/01/2014	$8.00	$9.00	$1.00	12.50%	6.50	0.80%	11.70%		Brown - D	D
01/01/2016	$9.00	$10.00	$1.00	11.11%	1.50					

Avg Interval Years	3.17
Changes since1943	24
Avg Change since '43	15.78%

Prepared by: Robert L. Rodine
The Polaris Group
March 31,2015

Minimum Wage Impact Analysis

Family Income / 2.1 Persons/Family =Per Capita Income

Family Income Level		Per Capita Wage	Population @ Wage		Wage Increase	
<$10,000		$4,762	102748	$489,285,976		
$10,000	$14,999	$7,142	83740	$598,071,080		
$15,000	$24,999	$11,904	212520	$2,529,838,080		
$25,000	$34,999	$16,666	204657	$3,410,813,562		
$35,000	$49,999	$23,809	275561	$6,560,831,849		
		Total @Wage		$13,588,840,547	$1,888,848,836	2015
					$1,660,556,315	2016
					$2,065,503,763	2017
					$5,614,908,914	

Los Angeles-Long Beach-Anahaim Metropolitan Statistical Area 2012 GCP $765,759,000,000

Wage Increase % Impact		
	2015	0.2467%
	2016	0.2169%
	2017	0.2697%

Prepared by: Robert L. Rodine
The Polaris Group
March 13, 2015

History of California Minimum Wage

effective date	new minimum wage	old minimum wage	amount of increase	percentage of increase over previous wage
January 1, 2016	$10.00	$9.00	$1.00	11.1 percent
July 1, 2014	$9.00	$8.00	$1.00	12.5 percent
January 1, 2008	$8.00	$7.50	$0.50	6.7 percent
January 1, 2007	$7.50	$6.75	$0.75	11.1 percent
January 1, 2002	$6.75	$6.25	$0.50	8.00 percent
January 1, 2001	$6.25	$5.75	$0.50	8.70 percent
March 1, 1998	$5.75	$5.15	$0.60	11.65 percent
September 1, 1997	$5.15	$5.00	$0.15	3.00 percent
March 1, 1997	$5.00	$4.75	$0.25	5.26 percent
October 1, 1996	$4.75	$4.25	$0.50	11.76 percent
July 1, 1988	$4.25	$3.35	$0.90	26.87 percent
January 1, 1981	$3.35	$3.10	$0.25	8.06 percent
January 1, 1980	$3.10	$2.90	$0.20	6.90 percent
January 1, 1979	$2.90	$2.65	$0.25	9.43 percent
April 1, 1978	$2.65	$2.50	$0.15	6.00 percent
October 18, 1976	$2.50	$2.00	$0.50	25.00 percent
March 4, 1974	$2.00	$1.65	$0.35	21.21 percent
February 1, 1968	$1.65	$1.30	$0.35	26.92 percent
August 30, 1964	$1.30	$1.25	$0.05	4.00 percent
August 30, 1963	$1.25	$1.00	$0.25	25.00 percent
November 15, 1957	$1.00	$0.75	$0.25	33.33 percent
August 1, 1952	$0.75	$0.65	$0.10	15.38 percent
June 1, 1947	$0.65	$0.45	$0.20	44.44 percent
February 8, 1943	$0.45	$0.33	$0.12	36.36 percent
1920	$0.33	$0.28	$0.05	17.86 percent
1919	$0.28	$0.21	$0.07	33.33 percent
1918	$0.21	$0.16	$0.05	31.25 percent
1916	$0.16	-	-	-

MARCH 31, 2015
TO: THE LOS ANGELES CITY COUNCIL

We are a very large coalition of local Los Angeles restaurants, and we are growing. We support a wage increase when done thoughtfully and with considerations to help ensure our sustainability. We anticipated the city-commissioned economic study to include details of the costs and plight associated with operating a local restaurant--it did not. We hope the document provided herein provides the much needed insight to our operations.

We are local, independent, family, small, and minority-owned businesses that are not represented by unions, have no lobbyists, and employ tens-of-thousands of people between us. We have close relationships with our staff. We are very different than the multi-national fast food companies, big box retailers, and factories.

The restaurant business is widely known for its high rate of failure due to its inability to increase prices to cover rising costs and for having extremely high operating costs -- particularly labor, which averages between 35-60% of all costs. In addition to the recent increase in the state minimum wage and another anticipated in 2016, we are now looking at the city's proposal that would increase our single largest cost by an incredible 66% in only 4 years.

It is important to note, we already pay above the minimum wage to most, if not all, non-tipped employees and our tipped wage earners generally earn a total compensation well in excess of the projected minimum wage when tips are factored in. We certainly want to pay our non-tipped earners more in wages but while we provide other benefits, they do not count toward wages. We support equitability in wage but current legislation prevents us from applying total compensation to wages.

It is clear the city's leadership understands the need to balance the city's budget as it pertains to managing city employee wage and pension costs. Please apply the same logic to small local businesses. Los Angeles isn't the only governing body to add additional directives and levies on local businesses. We continually face burgeoning financial pressures from the county, the state and the federal government.

To summarize, our recommendations include 1) modifying the rules on total compensation, 2) slowing down the unprecedented wage increase schedule, 3) having carve outs for small businesses, 4) including a youth minimum wage, and 5) a request to study the rent and housing crisis in Los Angeles affecting low and middle class wage earners.

Enclosed is a list of concerned owners and operators who are happy to discuss or offer personal insight on the impacts of the proposal to our operations.

We are here to help save jobs. We are ready to work with the mayor and the city council towards an effective plan in raising the wage.

We the undersigned thank you for your consideration.

The signatures on this letter are only those at the time of submission. Additional names of local independent restaurants will be added in perpetuity, and then placed in the council file as addendums to this letter.

George Abou-Daoud
The Bowery
Delancey Pizzeria
Bowery Bungalow
Mission Cantina
Twins Sliders
Rosewood Tavern
Urban Garden
Tamarind Avenue Deli

Bill Chait
Bestia
Republique
Picca
Sotto
Pettycash
Redbird
Short Order
Barrel and Ashes

Briana Valdez, Theresa Gluck
HomeState

Jesse Gomez
Mercado Santa Monica
Mercado Los Angeles
Mercado Hollywood
Maradentro Eagle Rock
Yxta Cocina Mexicana
El Arco Iris

Micah Wexler, Michael Kassar, Jordan R. Berstein
Wexler's Deli

Caroline Styne & Suzanne Goin
Lucques
AOC
Tavern & Larder at Tavern
Larder at Maple Drive
Larder at Burton Way
Larder at LAX
Lucques Catering
Larder Baking Company

Michael Taix
Taix French Restaurant

Josh Loeb, Zoe Nathan & Colby Goff
Rustic Canyon
Sweet Rose Creamery (4)
Huckleberry
Milo & Olive

Sean MacPherson
El Carmen
Good Luck Bar
Swingers
Swingers Santa Monica
Jones Hollywood

Jared Meisler
The Pikey
The Roger Room
Bar Lubitsch

David Lentz
The Hungry Cat (3)

Warner Ebbink
Dominick's
Little Dom's
101 Coffee Shop
MiniBar Hollywood

David Rosoff
Bar Moruno at Grand Central Market

Minh Phan
porridge + puffs
FIELD TRIP at the farmer's kitchen

Helen Johannesen
Animal
Soag
Trois Mec
Petit Trois

Adam Fleischman
Umami Burger (15)
800 Degrees Pizza (7)
smoke.oil.salt
Tacoteca
Chop Daddy's
ChocoChicken

Michael Cimarusti & Donato Poto
Providence
Connie and Ted's
Cape Seafood and Provisions

Josh Goldman
Brilliantshine

Alan Schulman
Akasha Restaurant

Anthony Falati
The Corner Door

David Dickerson
Kitchen 24 (2)

Stephane Bombet
Faith & Flower
Terrine

Ryan Ballinger
The York
Sonny's Hideaway

Scott Zwiezen
Elf Café
Dune Los Angeles

Cedd Moses
Casey's Irish Pub
Broadway Bar
Cole's
4100 Bar
Bar Jackalope
Cana Rum Bar
Golden Gopher
Honeycut
Las Perlas
Seven Grand
Tony's
The Varnish
Pellicola Pizzeria
Normandie Club

Susan Feniger & Kajsa Alger
Mud Hen Tavern
Border Grill

Tyler Bell
L & E Oyster Bar
El Cóndor

Brad Johnson
Post & Beam
Willie Jane

PJ Brill
Big Wangs
Loaded Rock Bar
Tipsy Cow

Craig Ley
Rock & Reilly's
Pearl's
Yellowtail Japanese

Akida Mashaka, Esq
Hyperion Public

Christine Moore
Litle Flower
Lincoln

Betty Fraser
Dish Functional
Grub
As You Like It Catering

Adam Goldberg
Fresh Brothers

Mitch Durette
TBD

Dustin Lancaster
L&E Oyster Bar
Covell
El Condor
The Hermosillo
Augustine

Lee Maen
Sushi Roku
Boa Steakhouse
Delphine
Soleto
Katana

Gary Chau
Caffe Luxxe

Alvin Cailan
EGGSLUT
Ramen Champ

Dean Malouf, Lindsay Kennedy and Charles Conrad
The Village Idiot
Black Cat restaurants

Casey Lane
Scratch Hospitality
Tasting Kitchen

Josef Centeno, Genevieve Hardison
Bäco Mercat
Bar Amá
Orsa & Winston
Ledlow

Mark Sokol
Larry's Venice
Erwin

Brad Saltzman
L.A. Creamery

Ian Hopper
Hutchinson Cocktails & Grill

Matteo Ferdinandi
The Factory Kitchen
officine BRERA

Brett Cranston
The Hudson
The Churchill

Mark Echeverria
Musso & Frank Grill

Mimi Mok, Bryan Libit
Stir Market

Zak Walters
Salt's Cure

Giacomino Drago
Il Pastaio Ristorante
Celestino Pasadena
Il Buco Trattoria
Il Segreto Ristorante
Panzanella Ristorante
Piccolo Paradiso Ristorante
Shu - Sushi House Unico
Via Alloro Ristorante
Yojisan Sushi

Marino Monferrato
DeSano Pizza Bakery

IMPACT STATEMENT & PROPOSAL FROM INDEPENDENT LOCAL RESTAURANTS IN LOS ANGELES

WE, A VERY LARGE COALITION OF LOCAL LOS ANGELES RESTAURANTS, AND GROWING, SUPPORT A WAGE INCREASE WHEN DONE THOUGHTFULLY & WITH THE INCLUDED PROPOSED NUANCES THAT WOULD INSURE OUR SUSTAINABILITY

IN ORDER TO ACHIEVE THE MAYOR'S GOAL OF A $13.25 BASE MINIMUM WAGE**,** SEVERAL MEASURES MUST BE TAKEN INTO ACCOUNT TO MAKE THIS ECONOMICALLY VIABLE, AVOID JOB LOSSES AND PREVENT BUSINESS BANKRUPTCIES

This proposal is written on behalf of local restaurants and their staff, which operate in the economic realm of high risks, low margins, require a significant number of employees, and engage in a constant barrage of ever increasing costs, levies and economic changes.

Consider an industry in **which business failure is more common than success**. Consider that this scenario exists due to **(1)** the businesses' inability to significantly raise prices to consumers and **(2)** extremely high operating expenses -- particularly labor costs. **Then consider raising that industry's labor costs by 66% over the course of only four years.** Would anybody, particularly an economic analyst, say that such an increase is possible without major negative repercussions to that industry? And if so, wouldn't there be the requirement for mitigating carve-outs and policies to help the businesses in that industry, particularly the independent and small ones, survive such an economic shock?

We hereby request such consideration.

It is important to first note, that in our local restaurant businesses, **we already pay above the minimum wage to most, if not all, non-tipped employees**, which translates to the **fact that nearly 100% of our minimum wage employees are tipped wage earners. These employees generally earn a total compensation well in excess of the minimum wage per hour (and in some cases in excess of $50 per hour)** –- and this is the issue that will gravely hurt us -- trying to pay a higher base minimum wage to tipped employees who already make a total compensation well in excess of the current or any future proposed minimum wage. This is among our primary concerns.

It would be our privilege to pay a much higher wage to our non-tipped employees, when less compensation is allocated to our tipped employees, who out-earn every other employee, and quite often even the restaurant management. We would very much like to **create equitability in wage, but current legislation prevents us from applying their total compensation to their wage, and as impractical as that sounds – it's true**. Although this is a California State issue, a city measure such as the one proposed would be crippling under the current California labor requirements.

This sudden and high increase in costs is of alarming concern to our industry which already has **net profit margins averaging a mere 5% and less than 1% in recessionary periods,** according to analysts and of course our own experiences for those still in business**.** This is due to the overwhelming expenses required to run a restaurant, and often times with **labor attributing to over 50% of total costs**. Additionally, not considered by any study, **employers are currently spending $15 to $17 per hour in labor cost, on a $9.00 base minimum wage.** When discussing minimum wage, the term "base" is integral, as the actual total compensation is much higher. **Workers compensation and payroll taxes** are also a multiplier of the base wage. The actual base wage is only a portion of the total labor cost paid by an employer for every single employee. This of course, doesn't even include allocated tip income or health care.

Needless to say, even a mere 10% rise in our labor cost would result in financial hardship or bankruptcy, let alone an incredible 66% increase over a total of only 4 years from 2013 to 2017.

Also, it is important to note that the **nature of this business does not allow for sharp increases in prices that would mirror or compensate for such spikes in labor cost**. While those less familiar with restaurant economics, such as the Berkeley economic team, might assume that restaurants could simply raise prices to account for such increases in cost, this is not remotely the case. In fact, the full-service restaurant business (i.e. not fast food) faces a highly elastic consumer demand, where increases in price are directly related to a drop in demand, due to the fact that we are an industry dependent on consumer choice and disposal income.

Especially **given the absence of a study which takes into account our industry and it's economics**, particularly in light of a proposed 66% increase in wage cost and it's associated multipliers --*as the March 2015 Berkeley macroeconomic report wholly overlooked* – it would be negligent to take action on this motion, without considering our proposed modifications. **We are here to help save jobs. We are ready to work with the mayor towards an effective plan in raising the wage.**

RECOMMENDATIONS & NECESSARY REQUESTS FROM THOSE MOST AFFECTED BY THE PROPOSED MEASURE

1) A modification of the rules on **total compensation** pay, adjusting California State Labor Code 351 to allow for tips, health care and other compensatory items to satisfy the minimum wage requirement, which would **allow us to pay more equitably** within our businesses to those who are not tipped. **Our intentions and our hearts are with our employees**, but our desire to increase their wages, which are already above minimum, are mitigated by legislation that prevents us from bringing equity to everyone in the business. This is your responsibility to **help us so we can move forward on your proposal**.

Without this modification, **you are asking us to give raises to people who already make well in excess of the minimum wage**. Our goal is very much in line with that of the mayor's -- **to fix the inequity of wages**. But in order to do that, we need to resolve the huge issue of total compensation. Getting employees to the $13.25 base wage correctly, intelligently and in an economically sound way, is our path to common ground and achievement in this plan. We can work together to realize this.

2) Instead of an unprecedented expedited three-year schedule, which takes the base minimum wage from $9.00 today, and from $8.00 in 2013, to $13.25 by 2017, **(a total increase of $5.25 in four years) we request a more practical and absorbable pay increase schedule, done over, at the very minimum, a five year spread**. Seattle took a more nuanced and measured approach in their increase, allowing businesses to gradually absorb the impact. As explained below, and not in the Berkeley study-- even a $0.25 wage increase per year, accounts for a substantial hit to local businesses. Many small businesses will not be able to absorb this. **It's shocking that any loss of jobs or business is seen as acceptable by anyone.**

To be clear, the mayor's proposed measure on his specified timeline would **increase labor cost by a whopping 66% over less than five years. In any industry at anytime, that would be considered catastrophic.** Add in the fact that restaurants already have a high rate of failure, this measure as proposed is reckless and questions whether the impact of this is truly understood.

In any other business that requires a similar quantity of labor, such as manufacturing, factory production, call centers and so on, the businesses would immediately move to a facility out of the region, and even overseas. Local restaurants have no option to move – only to close down. The sheer impact of this must be understood, and no true studies have been submitted.

3) To parallel the above, there should be **exemptions or carve outs for small local businesses under one hundred employees,** (or another tier set by the city), who's business economic structure does not allow for any more financial pressures.

4) A **Youth Minimum Wage** should be established, which would allow us to hire eligible employees under the age of twenty and pay them the established minimum wage until the time that they reach the age of twenty. The restaurant business currently is responsible for the employ of over 17% of minors and we would like to continue to prepare that demographic with the skills and professionalism that will allow them to become valuable members of the Los Angeles workforce.

5) Finally, a directive to work on the **housing crisis in Los Angeles** is of the utmost importance, as while the cost of most goods are less expensive in Los Angeles than in most U.S. metropolitan cities, due to our nearby food sources, port and wide availability of products -- the cost of rent is egregious and outrageously high. Without such measures taken on the low income and middle income housing crisis, any changes in the labor code remain ineffective. This is the city's biggest economic plight.

We, your local businesses, shouldn't have a perception hurdle when we need to explain our plight. The labor unions and other political rhetoric make it difficult to express the facts, as the issue is never fully understood from all parties involved.

To have a proper discussion in the case for **Small Local Business and Small Local Labor**, please help eliminate the false narrative perpetuated by the big money labor unions, of Business vs. Labor and clarifying the issue correctly as **Mathematics vs. Legislation**. To engage in a rational and effective conversation, political rhetoric has to end. This is not about Workers vs. Owners, Labor vs. Business, David vs. Goliath, Liberal vs. Conservative, the Little Guy vs. the Evil Business Owner, -- this is about all of our lives, and of our employees. Local businesses and their employees are the ones that everyone should be concerned about, as they are caught in the crossfire of the Fast Food giants, Big Box Retail and Factories War with the Labor Unions. Our issues are very different than theirs, and should be addressed as such.

QUICK NOTE REGARDING THE MARCH 2015 ECONOMIC IMPACT STUDY ON THE PROPOSED MINIMUM WAGE, WRITTEN BY NORTHERN CALIFORNIA'S BERKELEY UNIVERSITY PROFESSORS AND RESEARCHERS, MICHAEL REICH, KEN JACOBS, ANNETTE BERNHARDT AND IAN PERRY –

Local business owners were highly anticipating an actual analysis of the mathematics and economics of the restaurant business in this report -- the single biggest industry to be effected by the mayor's proposal. Unfortunately, not one single number, cost line item, analysis, or understanding of the actual operations of a restaurant business was included.

Regrettably the new Berkley report, even though it is thirty times longer than the first, contains the same information, and while it includes a multitude of macro-economic charts, discussion and references, ranging from wage levels, Gross Domestic Product, and the Consumer Price Index, it lacks the single most important and still very required analysis -- an actual comprehension of the operations of a small local restaurant, and the elasticity of prices. Barring a well thought out analysis and effect, this report, for the purpose it is intended, is null and void. The Berkeley team appears to possess a lack of understanding of the very unique economy of a restaurant operation, which should preclude their judgment or assessment.

Unfortunately for the local independent restaurants most effected -- this is entirely and grossly negligent; given the report clearly states that the restaurant business will be the most effected by this proposed measure, then some level – frankly any level, of analysis should have been undertaken. Its value is essential and cannot be overlooked.

Given the magnitude and the intended purpose of this report, excluding any analysis on local business, particularly restaurants, should cause the city council to very be judicious and prudent when reading it.

The requested analysis that was responsibly asked for by councilmembers O' Farrell, Fuentes, Krekorian and Blumenfeld in their December 30, 2014 letter to city council president Herb Wesson is not in the report. Items neglected include, but are not limited to;

- *"Actual economic data and the real-world experience of business owners and operators in Los Angeles" and*
- *"Interviews with local business owners" and*
- *"What other expenses must a small business owner consider in addition to wages (e.g. workers compensation, unsecured property taxes, insurance, etc.)"*

TABLE OF CONTENTS OF FURTHER READING

I) PURPOSE & UNDERTAKING

We are small local restaurants, and are not represented by unions, have no lobbyists, and employ tens-of-thousands between us. We also have close relationships with our staff, that are also not represented by the labor unions, which are pushing the accelerated minimum wage measure via the mayors office.

We are those who pay as much as we can in wages whenever we can, and work within the restrictions of several governmental agencies and their directives and levies. We are always seeking ways to pay our staff more, as mathematics and the economy allows. It is always in our best interest, not only the employee, to pay them as much as possible, as we too are incentivized to retain our staff and keep them happy. They are an integral part of our operations.

Our industry has been a top provider of first time, entry-level jobs for those new to the workforce. We want to insure that we are able to continue serving our city in these capacities, and in a manner that is sustainable for the long term.

We are the small businesses, entrepreneurs, innovators, artists, game-changers and the people who help make Los Angeles great, also want to pay everyone more – but there is a math problem – one that applies to consumer choice businesses that are established on volume, and we request positive changes be implemented, allowing pay within our walls to be equitable.

We have helped democratized the local economy by employing anyone and everyone regardless of education, origins, experience, resume or skills, and have aided in keeping the level of unemployment down in this great city which attracts multitudes of people daily. That is an understatement. Pause for a moment and consider how many people that are underserved in the general economy, are served by the sector that would post a "Help Wanted" sign in the window.

If not within the comfort of our walls and through the resilience of our work ethic and toils amidst a constantly rising barrage of levies, requirements and fees, a very large and underserved populace who immigrate to this great city from all across the U.S. and from foreign lands would have no work to speak of, as your council offices, law firms, medical practices, production firms, marketing agencies, architectural firms, engineering companies, and so forth, would have no work available for those requiring flexible schedules to pursue other careers, or no work to those seeking a better life in Los Angeles for their families who moved from troubled economic climates. We are their employers, we are their friends and we are their family. They like us, the proletariat, pursue our dreams and work side-by-side in our businesses. We are not international fast food chains, we are not national big box retailers, and we do not sell products online from a factory out-of-state. We are local. We sell only to locals. We buy local. We employ local.

We have labored through the poorly managed Department of Building & Safety and the Planning Department, as well as other bureaucratized county and state agencies -- to even begin the rough operation of running a small business and in particular restaurants in Los Angeles. This all comes at a dramatic economic cost, one that could have been remedied, and has been discussed, with no actions taken.

We are those who pioneer neighborhood renaissances, employ many of those seeking work, have created communal gathering grounds, have helped diminish crime in our neighborhoods and are the very foundation for the local economy.

We are those who bring optimism to cities like this that have vast economic systems and structures and that require a variable of tiers to function and candidly, exist as a major world city. The way small businesses are portrayed in public image by some labor unions is discourteous and mendacious—all in an effort to get constituents support and their money. Small business is not the enemy, and the manufactured political perception of Business vs. Labor has to end now. This is simply about Mathematics vs. Legislation.

There was a time when Los Angeles was the number one place for filming television and film in the world. Then politics and egregious egos, paired with very bad, poorly thought out policy, changed all of that. Now there's no turning back. Remember this-- poor policy, particularly where the economics are not understood, as is often the case with politicians who have no business or economic background, can cause horrible and lasting effects on a city or a region. A manufactured perception was created, similar to this issue, and rhetoric was allowed over facts.

We are your friends. We are those that help the city of Angels, not detract from it. Embrace small business and end the politicking.

II) GENERAL STATEMENTS

Contrary to manufactured political perception, small local businesses are not fighting against raising the minimum wage; they are only fighting to keep their businesses open and solvent. Small business owners also want to raise the minimum wage, but some key factors to protect our sustainability must be addressed.

Further, it's important to note that while we were not asked to participate in the mayor's economic studies, we should have been an integral part of them-- both on the original study, and the latter. The first and second studies were commissioned to the same economists in northern California, who provided a brief template heavily lacking data and much needed information. At a glance, anyone can tell you that the reports are vague and broad; and that drawing conclusions from them would be negligent. Especially when this decision affects the groundwork of the nation's second largest city, its constituents, its businesses and its employees.

In a bubble, this wage increase sounds magnanimous, but Los Angeles city is not the only jurisdiction levying an ever-increasing monetary burden on small local businesses, which face tough financial decisions daily and whose entrepreneurs are the very definition of proletariat. Consider that this proposed wage hike is simply one of many financial challenges and monetary escalations placed on small local business by the city, the county, the state and the federal government. That list excludes all private sector monetary increases and demands, which are also growing at an alarming rate.

The insinuation here by the labor unions that don't represent any of us – is that people are in poverty in Los Angeles because small local businesses are not paying them enough, and keep their riches and treasures far from those who chore and drudge beneath them. The insinuation also carries further definition in that the assumption that while margins are exceptionally small in the restaurant business, restaurant owners, by their own fruition, decided that they did not want to make more money and raise prices themselves, prior to a wage hike proposal, assuming the public would accept any and all price increases.

While the California minimum wage has increased by multiples, and continues to increase well ahead of the federal rate, and mostly every other state; prices on menus have increased marginally and even decreased amidst private sector competition. All the while, continuing pressures from all governing bodies mount, and cost of goods in the private sector continue to increase. The facts are simple – the already thin margins of the restaurant business have become paper thin, and with no room left to go, modifications must be made to existing policy and should have been made before.

It is naïve to think that if the elasticity of prices were such that they could have been increased by the amount necessary to make up the difference in labor cost, as assumed by Berkeley, that at some point prior to this issue, we would not have raised prices to generate additional net profits.

The mayor's economists claim that raising menu prices covers the very dramatic cost of a labor increase. There could be nothing further from reality, but academics on campus are not in the bullpen with the workers, so it is far from them to understand or have a critical knowledge of this. As detailed in this letter, we will bring clarity to this subject.

In brief, the proposed measure is not just a wage increase as a pure dollar amount. A $9 base wage is a $15 to $17 out-of-pocket wage. Do not overlook payroll taxes and benefits, workers comp, the California legislation on tipped wage, plus the fact that employers pay the credit cards charges on tips.

Small local restaurants and businesses keep people employed – not in poverty, again contrary to some political belief. There is a great common link between providing work and keeping people off the street. Small local restaurants keep the economy moving, keep unemployment down, and work on tight margins with no appreciation from the city. These small businesses are those same ones that hire people with no bias on any level, including those with no resume, no education, those seeking flexible schedules, workers from other countries looking to support their families here and abroad, the unemployed, skilled or unskilled, those between jobs, those who need additional income, those who need a summer job, and much more -- a wide-open hiring practice only found in these sectors. Stop and consider the important and broad role these businesses play in an advanced economy.

The city of Los Angeles isn't hiring these good people; neither are law firms, or hospitals, or service companies, or accounting firms, or production companies, or investment firms, or architectural offices, or marketing firms, or councilmembers offices-- but small local businesses are. Small local businesses, particularly restaurants and small retailers, are the security net that keeps a large population of people employed. Those types of places that post "Help Wanted" signs in their windows are a very different and special part of the economy. These businesses only serve to a local audience, require a generous amount of employees, and carry a hefty payroll burden -- one that can easily exceed half of gross income. The very economic structure of this model already risks a high rate of failure -- far greater than any other type of business. The model has always been built on achieving consumer volume in order to nudge out net profits.

Getting to the heart of the matter, and the cause of poverty levels in Los Angeles, the city has not done their best work at managing issues and further allowing rents to escalate out of control --creating the modern housing crisis. The failures of the city to move people out of poverty is causing the city again to turn to the small local business community to cover these shortcomings. Because the city has not been able to effectuate low-income housing, allow for affordable education on all levels, or promote proper economic policy, the city turns to the easiest target that garners no lobbyists, well-paid attorneys or a collective voice – small local business. Small businesses are just that. Small and local--with low margins and a local audience. The proposal to increase the minimum wage rose out of the very public debate with large fast food chains and employees. Small businesses are not the same, nor have balanced labor cost portfolios between other low wage cities, and can't be looped together. Keep small local businesses out of this war. Help small local businesses with proper legislation that allows them to pay everyone equitably.

The most alarming thing about this proposed wage increase is that while it will help workers in factories, agriculture, and fast food, (industries that sell beyond a local audience) it will have the exact opposite effect on the small local restaurants. The majority of people represented by the labor unions regarding the minimum wage are not working at small local businesses. Most of minimum wage workers at small local restaurants are tipped employees. The majority of non-tipped employees at small local restaurants are already paid over the minimum wage of today and that of the future. The danger is that while some placate to the labor union agenda, it will also affect everyone else, unless the wage measure is nuanced and very well thought out.

Small local businesses could be the unintended consequence of a blanket measure and policy that will harm those who have no reason to be involved in the war.

III) MATHEMATICS & THE ECONOMY OF A RESTAURANT

The Berkeley economic team neglected to provide those voting on this measure with comprehensive information on small local restaurants, in both reports -- a major factor of this initiative, so it is our privilege to provide the city council with this information, so no one feels left out, or claims they were not aware.

The restaurant business, infamous for its very low success ratio, and tough business model, is a volume-based business. If you reduce the volume of patrons, you reduce the level of business, hence the level of revenue. Again, to raise prices commensurate to generating enough revenue, to parallel the proposed increase, is not remotely feasible. Of a more astonishing nature, the Berkeley team stated that by raising menu prices by only $0.41 it would cover the cost of the increase. They are horrendously misinformed. Meanwhile, the economists had thousands of small local businesses at their disposal to answer the question of how much more are consumers willing to spend -- the basic principal of consumer elasticity. Will a middle class salary consumer willingly pay $11 today for a beer that was $6 yesterday? The economic report was not prepared to answer these questions.

The basic economic concept of elasticity in this context refers to how sensitive demand is to a change in price. How high is too high? Local restaurants have reached their peaks in pricing, and more importantly of note, have had to decrease prices to remain competitive. The consumers from the middle class haven't seen increases in their wages either, which would otherwise allow more spending. Now there are those who certainly can afford any price changes, and are indifferent to elasticity-- those similar to the billionaires, who publicly stood and supported this measure. But unfortunately the majority of consumers will not be able to afford a serious increase or will choose not to spend, at the actual required level, and their demand will diminish. Small local restaurants are options and choices, not necessary consumable goods or services -- hence the high rate of failure. Why would anyone place further burdens on these businesses which employ many, knowing they will certainly cost jobs and tax revenue, unless they were strictly motivated by something else? Further, consider the pragmatic statement that while restaurants were not able to raise prices, even before this proposal (and in fact many had to reduce prices), where is this additional money coming from?

Much analysis can be done here, but simply stated, in businesses where labor is the single biggest cost, the price charged for goods in the non-luxury sector have not increased at the accelerated rate of the minimum wage. Without a degree in economics this statement speaks volumes. Wages will have nearly doubled in a decade, while consumer elasticity for prices has declined or only grown marginally.

Let's take a brief look at some key line items in a Profit and Loss Statement for a small local restaurant and some details behind it.

The True Cost of Payroll
Payroll can range from 35% to 60% of total gross income. That is exceptionally high, and only applies to restaurants. Restaurants require a remarkably high amount of people to operate. This is the nature of the business. While very few employees in a career position are on salary, the majority are paid hourly. Those who receive the lion's share of the minimum wage are tipped employees, who don't simply make margins over the minimum, but multiples. Starting prep cooks, line cooks and others in similar positions already make more than then minimum, and generally range between $10 to $15 per hour. In general, dishwashers may be the only non-tipped position that could be at the minimum. Also, in some restaurant models, for example the fast casual, a starter wage, or training wage could be at the minimum as well, with tips still being accepted.

This raises the big question. Who exactly is this measure intended to help? How is this going to remotely help small local business employees? If the increase helps those making well in excess of the minimum wage, creates an even greater divide in equity between tipped and non-tipped employees, then pushes small businesses into bankruptcy –how does that help?

How Payroll Adds Up, and Why the Minimum is not Really the Minimum

1) Payroll taxes are an additional 15%-20% above the minimum wage; these line items include social security, taxes and benefits, and health care paid out of pocket by the employer
2) Workers Compensation Insurance. Notably out-of-control and unregulated -- this has become institutionalized extortion
3) Credit card fees on tips paid by employers for their tipped employees, which range from 2% to 3.5% of gross tips daily

These line items alone add up to a total actual out-of-pocket of approximately $15 per hour. To be clear, this is today. This is what employers currently pay in minimum wage in today's world, prior to any new increases in the minimum wage.

Then take into account the gratis staff meals and beverages, plus discounts that are provided by restaurant employers daily. Now you have a total compensation per hour, paid by the employer of at least $17. To reiterate, and so you do not miss this note, employers are currently spending over $17 per hour in labor cost, on minimum wage employees alone.

When the California minimum wage rose to $8.00 in 2008, from $7.50 *(the current U.S. national rate)* many small businesses weren't able to cover their expenses. When the minimum wage increased to $9.00 in 2014, the current California minimum wage *(which Wal-Mart only recently started paying nationally, and Target is now considering: Imagine these giants with plenty of net revenue, only now paying what we have been paying for quite some time)*, many small local businesses saw their margins and profits disappear, and many began accruing debt. The state wage will increase to $10.00 in January 2016 -- one of the nation's highest. It remains difficult to see how the mayor expects to raise the wage even higher, barring any modifications to the measure.

Tipped Wages and Total Compensation
The mayor, several councilmembers, state legislators and others, have indicated their willingness and preparedness to work on tipped wage compensation, and the big issue of total compensation. This only makes sense, as the tip is part of consumer spending and within the range of elasticity, as well as part of a tipped employees income. When a restaurant does not keep 20% of its daily gross income, as it go directly to tips, this must be factored into the equation.

We encourage and support this effort to reform the tipped wage issue and commend those politicians on pursuing this. But there is one important caveat. Since this one item is the single most important part of the economic structure of many of these restaurants, this issue must be dealt with prior to any vote on raising the wage. We urge you to put the horse before the cart, and not cause the damage that will ensue if done backwards. No employer is contesting tipped wages, or the system that has been in place for decades, but as the tips are part of the income, they must be taken into account.

Wage Escalation/ Compression
How do you pay a dishwasher the same as a prep or line cook, who worked up to the higher wage? How do you hire and maintain managers whose salaries will equate to less than the staff they supervise? Pushing the wage up on the lowest paid employees, whose jobs are either tipped or are the most basic in the operation, will beg the question from others in the employ of restaurants, as to why their rate isn't higher. If the starting wage for a dishwasher is $13.25, then how will a business possibly accrue enough

revenue to pay the next tier $16 per hour (which as noted above would translate to over $20 per hour out-of-pocket). The numbers are astonishing and absolutely unsustainable. Something has to give -- total revenue and tipped income must be correlated.

Repairs & Maintenance is a very important line item, that without its consideration, the understanding of a restaurant operation is incomplete. Imagine a ship, sailing along in the ocean, where every single day you have to plug the holes in the ship to keep it afloat. Plumbing, refrigeration, heating, air conditioning, electrical issues, broken doors and doorknobs, malfunctioning equipment, broken chairs and tables, lights, fans, cleaning, and much more, are part of the daily routine in this business. Let's go back to that $0.41 menu item increase mentioned by the Berkeley economists as the way to cover the cost of the wage increase, as fictitious as that number is – that $0.41 wouldn't even cover the cost of one repair a month, let alone effectuate anything else.

The **Cost of Goods and Supplies** is an ever-increasing expense for small local restaurants who use local quality ingredients *(as opposed to the fast food giants)* and who buy from local farms. Then add in janitorial and paper supplies, beverages, flatware and glassware constantly breaking, furniture, fixtures, equipment and a continuing endless list of daily surprises.

Market Rents - -just like the rent crisis noted earlier, in the residential world that has been allowed to run-a muck, the same applies for commercial spaces. Following the mortgage bubble and its fallout, rates for rentals never declined. Landlords, both residential and commercial continue to ask for some of the nation's highest rents.

The **Cost of Utilities**, is an obvious ever growing expense, and while a dissertation can be written here, the city is well aware of the issues facing all consumers with the DWP and the gas utilities.

Government Levies and Taxes
The **City of Los Angeles** comes out fighting small business from the onset. To manage through the work and cost of the Department of Building and Safety and the Planning Department requires a high tolerance for pain, plenty of spending, and may soon require a PhD. Also, the city of Los Angeles has a gross receipts tax.

The **County of Los Angeles** charges businesses a huge Personal Property Tax with a fictional depreciation schedule. For example, a refrigerator purchased ten years ago at a price of $2,500, in real terms is worth almost nothing today. In fact the resale on such items is so negligible, you'd have to pay someone to throw it away. Yet the county depreciation schedule declines so slowly, that under no circumstance does it make sense. Restaurants, which have plenty of equipment and fixtures to operate, are paying absurd amounts of this tax annually. These items have long passed full depreciation and should be accounted as such.

The **State of California** adds more to the expense and liability column. Firstly the required workers compensation insurance is deeply unregulated and costing small local business a fortune. What is unfortunate is that no one intends to do anything about this legalized extortion. When the city is asked about the weight of this insurance and its mismanaged authority, they will happily point to the state, absolving them of any responsibility. Yet, this proposed wage measure does not happen inside a bubble, and not only is workers compensation insurance already high, but the insurance premiums are based off of payroll, and when payroll increases, so does the insurance. This should also be reviewed prior to a wage increase vote. *(The fact that someone with no viable claim, can file any claim against any employer for absolutely anything, and have no fault or repercussion for perjury, false claims and illegal activity is troubling at the least.)*

Further, **the State of California,** which does not calculate total compensation as actual monies received, already has one of the highest minimum wage levels in the United States, and charges large fees for entities like the LLC annual premium and associated taxes.

The **Federal Government** of course collects the appropriate income tax, the social security and other payroll check benefits. But now, with the National Healthcare Act pending, serious danger lies on the horizon for small businesses that will simply not be able to afford any of the above items.

IV) THE REAL UNEMPLOYMENT INSURANCE & THE CASE FOR SMALL BUSINESS

Small businesses fill the unemployment gap. The state unemployment insurance is a mediocre shadow of what small businesses do for the economy. Small businesses employ the widest range of people. They hire the majority of people who simply need work with no other prevailing circumstance. With skills or not, education or no education, transient or local, not based on factors used in normal hiring practices at any traditional form of employment -- and this practice is only found in this sector, and while wages are perceived as low by the politicians, they actually fulfill the needs of both parties in the economy of a restaurant or small business.

Take the sign in the window example of "Help Wanted". This is as old as the modern economy itself. Yet, you will only find these signs in small restaurants or retail shops. Not in the window of a law office, medical practice or City Hall. Not in an architect's office or a service company. The very existence of small businesses relies on this appropriate wage level. The wage in a restaurant and other small businesses is less than that of many trades and fields for a reason, as the margins are none to low, the amount of employees required is very high and the skill required can range from none to many. Almost anyone can walk into a restaurant or a retail store and be hired, hence economics 101 of these industries. You can't change the economy of a restaurant. They operate with many people, as that is needed, with different than other sectors, and that is the pure math of it. Small businesses that are being targeted here are those that pick up the pieces of any city's economic needs and continually fill a void.

V) THE NATIONAL FAST FOOD WARS

The Labor Day announcement by the mayor putting forth a measure to raise the minimum wage came on the heels of the national fast food wars. Some great distinctions must be made here. A fast food restaurant chain and small local businesses are not the same.

Fast food chains have a CEO who makes upwards of in the millions of dollars, a board of directors, and public money. They afford daily television, radio and print advertisements. They can pay far smaller wages in different regions, and collect monies from a worldwide audience. In effect they have created and operate their own economy. With or without franchise locations, their cost of franchise, food, services and anything else encompassed in their services are built within their own economy.

On the other hand, small business is just that- small --with owners that labor alongside their employees, that do the best they can do to make a living, keep their staff employed and remain solvent. Small local businesses have nowhere to fall or any semblance of a net when they do.

VI) A SERIOUS CAUSE OF POVERTY IN LOS ANGELES

With all other prices for perishable goods and cost of living expenses remaining constant, compared to other major US cities, the cost of real estate / residential rentals being outrageous is what makes this city unaffordable. Not only for low-income workers, but for the middle class as well. The great divide in wealth is very prevalent in Los Angeles.

The city effectively does nothing about the prime and serious cause of poverty in Los Angeles---the housing crisis. And to make the city's workload easier, their plan is to simply pass the cost to the small local businesses, which are already bearing intolerable monetary situations. The cost of rent, not the cost of general living expenses, is why so many are in poverty or near.

According to the LA Times, Los Angeles rents are the least affordable of the nations 381 metropolitan areas.

Even at higher wages than proposed by the mayor, the cost of living in Los Angeles remains unaffordable. Specifically, the cost of housing in Los Angeles has become impossible not only for those who make minimum wage, but even for those with higher wages and even higher educations. The cost of housing is the number one cause of poverty in Los Angeles. Rents continue to increase; property tax escalations remain protected, low-income housing or better rent clause escalations don't exist and the city continues to allow this. When rents are unbearable and education is unavailable, poverty will exist.

Economically, even if the minimum wage were a $15 base per hour, the cost of rent is still exceptionally high, and will continue to adjust upward as landlords will continue to be the grand victors. The unfortunate part of a wage increase is that the lions share will go to the landlords who are already charging some of the nations highest rents, as older units vacate and fill at new higher rates, and new expensive units come online.

VII) THE GAME OF POLICTICS AND PUBLIC PERCEPTION

As stated above, this is not an issue of Business vs. Labor. This is an issue of Mathematics vs. Legislation.

It becomes an uphill battle for small businesses to argue against the wage increase, because labor unions have made it an issue of Workers vs. Owners, Labor vs. Business, and David vs. Goliath. This couldn't be further from the truth. Small local businesses, which shouldn't have to be in this labor union war to begin with, are only seeking to maintain their existence and spread pay equity. Setting the stage for people who don't understand what it takes to run a small business, to formulate an opinion on the wage hike is not the right approach. Facts and math, as in mostly any application should take priority. Small business employees often times get lumped into the pile of perception of large industrial factory employees, as seen and documented in recent media. Small business owners are intimately familiar with their employees, their families and their lives. Small business owners are not evil folks forcing undesirable labor on people. In contrast, it's the exact opposite.

Labor unions want to soar in like champions saving the day, setting the tone that small business had no intention of paying higher wages, and that small business pockets large sums of money and treasure that they will not share. Firstly, it would not help those intended. Secondly, this assessment could not be further from the truth. There are ways to fix this, and we've suggested such. As much as it won't affect the huge online retailers who compete with the small local shops, and as much as it won't affect the big chains, fast food outlets and international chains, it will dramatically affect small local business, the casualty of war from politicians who would not review the details.

Knowing people will lose their jobs and at minimum have many hours cut, and knowing many businesses will begin to close, as evidenced not only with economic valuation but with actual results from other cities – if anyone seeks to raise the wage on small businesses without the provided nuances and positive modifications, it will be clear that there are other political factors in play.

In the local news lately is the issue regarding Los Angeles City workers who are getting wage freezes, and a reduction in pensions. *"Garcetti and other city officials argue that Los Angeles needs such labor concessions to balance its books." ---LA Times*

The city council and the mayor obviously understand they need to balance their budget and pay their expenses without accruing any more debt, but small local businesses are being pushed into even more financial pressures. Let's not be hypocritical. They understand the plight in a context that applies to them, and need to simply apply the same logic to our plight.

Just like the city has a budgeting crisis, and much like any other firm who operates within their budgetary constraints, so do the local restaurants. The level of pay for restaurant staff is pegged to demand and elasticity, and within budget. All businesses must work within their budgets. Much like the city of Los Angeles, payroll is set to revenue and expenses.

Further, it is misleading to announce that the Los Angeles Business Council supports the wage hike, perpetuating the notion that small businesses are behind the measure. The LABC is composed of every type of business, except small. Making these types of public announcements, along with other public declarations with billionaires who support the measure, is an attempt to create an approval for something that is not sensible for those affected.

VIII) FALLACIES OF THE FIRST BERKELEY STUDY

1) *"Money will be spent back into the economy and will be spent back into the businesses that expend it""* – the dollars will go to landlords whose ever-increasing rents will keep Los Angeles low-income residents paying them higher rents and will keep middle class spending power stagnant. Moreover, money will also be spent outside of Los Angeles, where many low-income workers are living or moving to, as well as internationally where many gallantly send money to families in need.

2) *"Restaurants need only to raise prices 4.1%"* - absolutely egregiously incorrect statement, that speaks volumes to lack of comprehension and understanding of operating a small business, and a consideration made in a clearly defined bubble.

The same economic team, who quickly turned around a report template to the mayor last year, were re-hired to do the much-required detailed analysis of the impacts on the economy and small business, because they skipped this important step the first time. Aside from the moral issue in allowing the same group to redo the analysis, much like asking the same doctor for a second opinion, there were requests made by small businesses to detail the economics of such small local businesses and really aide the analysis. They were ignored. That is a very important statement as it pertains to their desired outcome. In the end as the second report emerged in Mid-March 2015 -- and was as deeply incomplete as the first, as it pertains to restaurant economics.