

**Discussion Outline Used in Meetings with L.A. City Council Members regarding Small Local Businesses and the Minimum Wage**

*--The case for small local business and non-profits that was not taken into account by Northern California academics*

Contrary to manufactured public perception, small local businesses and non-profits are not fighting against raising the minimum wage; after all, their staff is their family. They're only fighting to keep their businesses and organizations open and running. While they weren't asked to participate, they should have been an integral part of the economic study commissioned by the mayor.

Small local restaurants and businesses keep people employed – not in poverty, again contrary to popular belief. They keep the economy moving, keep unemployment down, and work on tight margins with no appreciation from the city. These small businesses and non-profits are those same ones that hire people with no resume, limited or no skills, entertainers looking to make it in Los Angeles, workers from other countries looking to support their families, 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 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 councilmembers offices, but small local businesses are. Small local businesses, particularly restaurants and small retailers, are the security net that keeps a whole lot 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 an unreasonable 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 rate of failure far greater than any other type of business.

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Meanwhile, the City Council effectively does nothing about the prime and **serious cause of poverty in Los Angeles---the housing crisis**. And to make workload easier, their plan is to simply pass the cost to the small local businesses, which are already bearing intolerable monetary situations. Small businesses don't have lobbies, unions and lawyers to defend them as some business sectors and labor unions do. The cost of rent, not the cost of general living expenses, is why so many are in poverty or near.

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-Los Angeles rents are the least affordable of the nations 381 metropolitan areas according to the LA Times

-Poverty in Los Angeles stems from the absolute unaffordability to rent/ buy, for low-income and disappearing middle-class citizens

-The City Council continues to approve high-end new developments, but no plans to keep rents in check

-Limited to no work is being done for low-income or simply affordable housing

**Q: Can you touch on what your plans are, if any, for the housing crisis that is keeping low and middle-income dwellers in poverty?**

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**In a vacuum this wage increase sounds noble, but LA City is not the only jurisdiction levying an ever increasing monetary burden** on small local businesses, who face tough financial decisions daily and who's entrepreneurs are the very definition of proletariat. Remember this proposed wage hike is simply one of many financial challenges and escalations placed by the city, the county, the state and the federal government. That excludes all private sector monetary increases, which are also growing at an alarming rate.

**Q: Whenever this question is asked of the City Council, they point to the County or State for answers. Politicians point fingers in every direction to defer a grander solution. If all agencies get what they want, you leave no room to have a business. How can our elected officials in Los Angeles actually represent the residents of city and effectively help them, with issues that are inevitably entangled with all government agencies spanning city, county, state and federal?**

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***The Berkeley team neglected to provide those voting on this measure with comprehensive information----so here is an outline of the Economy of a Small Local Restaurant (Low-Income & Middle-Class venues, not fast food or luxury sectors)***

-**Payroll** ranges from 40% to 60% of total gross income – that is exceptionally high, and only applies to restaurants

-**Workers comp** is broken, and that can't be said enough – it is a state issue, but Los Angeles is part of California, and we all suffer

-**Payroll taxes** are an additional 15%-20% above the wage; add work comp and \$13 is already being paid out of pocket by employers

-**Repairs & Maintenance** are a non-stop dilemma, and while factories received credits for production, small businesses do not

-The **County of Los Angeles** charges restaurants huge **Personal Property Tax** with a fictional depreciation schedule

-Restaurants do not keep approximately 20% of their daily revenue, as it goes directly to **tipped staff**, and California has no credit

-Employers are responsible for the **credit card charges on tips ranging 2.5-3%** on every transaction, while the money is not theirs

-Local restaurants buy from **local farmers** who rely on them for sales and maintaining agriculture

-Just like the **rent fiasco** in the residential world, it's the same for **retail space** – rents have nearly doubled in ten years

-**Wage Escalation/ Compression**; how do you pay a dishwasher the same as a prep or line cook, who worked up to the higher wage? and how do you afford a manager who will be paid less than tipped staff?

-The **Berkeley economic team** with their template cut-and paste position on **elasticity**, stated that by simply adding an additional \$0.41 per dish, all new wage cost would be absorbed--That is flawed to levels beyond words. That increase would cover nothing. It would barely go towards fixing an oven, or jetting the sewer lines, or absorbed into the random state collections to make up for their FICA failures to the Federal government, or one of any thousands of money costs being juggled by a restaurant.

-A **fast food restaurant chain and small local businesses are not the same**. One has a CEO who makes millions, a board of directors, and public money. Also they can afford television and radio and print advertisements every single day, 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. On the other hand, small business is just that- with owners that labor alongside their employees, and do the best they can to keep going.

-When the minimum wage went to \$8, many small businesses weren't able to cover their expenses. At \$9-current California minimum wage (*Wal-Mart just started paying this rate*), for many small local businesses, there are no margins or profits, and many are accruing debt. The state wage will increase to \$10 in January 2016. One of the nations highest.

**Q: Given the already extremely difficult small business environment in Los Angeles, why are you looking to make it even more difficult, especially when nothing is being done regarding the rent fiasco?**

**Q: What kind of measures will you put in place to keep small local businesses from closing? Speaking in terms of math not theory.**

**Q: What is your plan to employ the many minimum wage workers that will certainly lose hours, if not jobs? What industries will they divert too?**

**Q: Also, to prevent even deeper fallout, are you planning on handling the tipped wage total compensation issue first (in the right order), so that the people that this measure is supposed to help, actually keep their jobs and hours?**

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**Q: Regarding LA City workers who are getting wage freezes, and a reduction in pensions, why is the City allowing itself 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? Please explain why this type of hypocrisy is allowed to exist.**

*"Garcetti and other city officials argue that Los Angeles needs such labor concessions to balance its books." ---LA Times*

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The rally held by the mayor, and other councilmembers came on the heels of the national fast food and giant retailer wage debate. It was done publically, with grandeur on Labor Day. This event and announcement was held prior to vetting any data from small local businesses and how it would affect them--small businesses that were never part of this war and with employees who are not part of the labor unions that back some council offices. **Why are you involving small local businesses and their staff in this battle?**

***There are great fallacies of the first Berkeley study, and most likely in the second;***

1) *"Money will be spent back into the economy"* – agreed, but it will go to landlords whose ever increasing rents will keep L.A. poor. 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 send money to families in need. Very little to no money will be spent at the businesses that expend it.

2) *"Restaurants need only to raise prices 4%"* - 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, was 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.

-Luckily there were some Councilmembers that represent the entirety of LA's citizenry and not part, and requested a true study.

-Aside from the moral issue in allowing the same group to redo the analysis, there were requests made by small businesses to detail the economics of small local businesses and really aide the analysis. They were ignored.

**Why would the City Council, without pre-determined motivations, ask the same doctor for a second opinion?**

***On a political note, it is mendacious and 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. Few councilmembers have met with small local businesses.***

**Q: Would you agree to a citywide survey of those small businesses and non-profits most affected to provide detailed answers?**

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**Q: Will you be more satisfied with national credit tenants dotting the landscape of LA and allowing the local businesses to wither?**

**Q: What is going to happen with West Hollywood, Beverly Hills, Glendale, Burbank, Culver City and more surrounding cities?**

***FYI: Seattle's measure allows small businesses to reach their new wage in 7 years.*** And Seattle has a much higher per capita per citizen and far fewer low-income workers than Los Angeles. They took proper measures and their effect on the economy and small business is less impactful than what would be in Los Angeles.

*This measure should be nuanced and allow for small local business exemptions and at least a slower escalator in the wage. Too much, too fast is not good. The state already boasts one of the highest minimum wage rates in the U.S. The measure or vote can not be broad brushed, but will require details and distinctions to make it work correctly, be effective and not wreck our landscape.*