

Good morning and thank you for inviting me to testify on the proposed increase in Vermont's Minimum Wage. My name is Win Smith and I am a resident of Warren, VT. I am the Former Chair of the Lake Champlain Chamber of Commerce, the current Vice Chair of the Business Roundtable and majority owner and President of Sugarbush resort. This morning I speak to you as a small business owner and not a spokesperson for the other organizations.

Sugarbush is one of the largest employers in Washington County. We employ at least 152 people on a fulltime year-round basis and during the course of our winter season cut a check for approximately 1,000 people.

As you know, the ski industry which is now increasingly a 12 month resort business, it a major driver of the Vermont Economy and the industry contributes significantly to the property tax, sales tax and meals and rooms tax totals in addition to the income tax paid by our employees. We are in a highly competitive industry. Resorts in New Hampshire, Maine, Massachusetts, New York and Canada in the drive market compete for the same customers. We are finding that the cost structure in Vermont is now higher than in neighboring states and this is giving them a competitive advantage with respect to pricing. It is my understanding that our electrical costs are now the highest in New England. This winter for example we paid up to 21 cents per KWH at times in order not to be curtailed during peak operating hours.

While electricity is our second largest cost, wages are our largest expense. All of our fulltime employees are paid more than \$10.10 per hour, so raising the minimum wage would not impact them directly. However, we have 562 non-tipped seasonal employees who are paid between \$8.73 and \$10.10. Many of these are younger people seeking part time employment and work in jobs like ticket checking. In addition to the wages they receive, a large part of their motivation for working at Sugarbush is to ski and ride. To many of them this is a way of earning some money, gaining an entry level experience and also enjoying the sport of skiing. We also hire students from neighboring schools and Universities. Several years ago, Sugarbush like many resorts hired international students. However for the past few years we have seen an ample labor market to hire locally which we prefer to do. We also have a few hundred part time seasonal employees who work in regular full time professions Monday through Friday. They are lawyers, doctors, carpenters, mechanics, etc who choose to work part time at

Sugarbush on weekends and holidays for their love of the sport and the resort. For this group the question of the wage rate is not material. However, for their employer their aggregate hours are if the rate is increase by a dollar or more.

Personally, I think the arrangement we currently have of raising the annual minimum wage rate by inflation has worked well. But I can support the Governor's proposal to phase it up to \$10.10 by 2017 even though that would be higher than the likely inflation rate. However, a jump to \$10.10 next January would have a materially negative impact on our cash flow and would cause us to take some actions which I do not believe is in the best interest of the Vermont economy. A jump to \$10.10 next January would cost us \$180,000 in additional wage costs, but that needs to be multiplied by 1.25% due to the additional costs such as FICA and workers' compensation which are calculated from the wage rate. Thus our incremental cost would rise to \$225,000. But the greater consequence is what it would do to our total salary scale, and we would likely have to have a one time adjustment to many if not most other jobs which I estimate could cost us another \$270,000 to \$450,000. That would be a total cost increase to us next year of \$495,000 to \$720,000 and that represents a very significant percentage of this year's free cash flow.

Were this to happen, we would have to make adjustments to remain sustainable and have the free cash we need to make necessary capital improvements. We also have bank covenants which require us to have a certain level of EBITDA. It is unlikely because of competitive conditions that we could raise prices to offset this increase. We would be compelled to look at hiring maybe 60-80 fewer people next winter and/or using technology to substitute direct labor.

Let me now talk about the proposal to tie the tipped minimum wage to 50% of the non-tipped minimum wage. I do not understand the need for this. If a tipped person does not receive sufficient tips the law already mandates that they be supplemented to bring them up to at least the minimum wage rate. However, many tipped employees are some of our highest paid employees. Raising their minimum wage costs a business and is not needed. I have bartenders and wait staff that earn as much as \$56 per hour. Why would we need to increase the cost to a business for people earning this amount of money?

Let me close by saying that what it feels like right now as a business owner in Vermont is the old Chinese torture of death by a thousand cuts. Proposals are on the table to raise the property tax on commercial and non-residential property by 7.5 cents, require paid sick leave to all our employees (which we already provide to full time employees), charge a per parcel fee to clean up the state's waterways, add onerous burdens to the permitting requirements to develop forestland, and now, immediately raise the minimum wage by over 15%. We've already absorbed a higher energy efficiency charge which went into effect in February, a damaging complement to the region's highest power costs. Workers Compensation in Vermont is higher than neighboring states, we face the uncertainty of health care reform but we know our costs have been going up at an unsustainable rate. We pay sales and use tax on equipment purchases where competitors in surrounding states do not. In summary, taking on another immediate 15.7% increase in the minimum wage for our seasonal employees will be a tough burden for us to bear, is not something that we feel is necessary and will likely result in fewer jobs next winter.