

Good morning committee, my name is Mark Frier. I am one of the owners of three Vermont restaurants; The Reservoir in Waterbury, The Bench in Stowe and most recently Tres Amigos & Rusty Nail Stage in Stowe. In all, my partner and I employ around 150-160 people at any one time.

I am here today to address the work you are doing working towards higher minimum wages, the specifics of the bills proposed and their impacts to businesses like mine. Of course, any business owner should be aware of the work being done at the state house and get involved if they think they can offer a voice or provide answers from a business owner prospective. I also think it is important to point out that I represent, at least for the two older restaurants, businesses that are healthy today. Many do not survive the difficult challenges in this industry, labor being one of them.

I moved to Vermont in 2006 to continue a career in engineering and management. I almost left the state for another job but at the last minute decided to try something completely new. I started my first restaurant in 2009, at the young age of 28. I correct that, I purchased an existing restaurant retaining almost all the jobs and reopened it as The Reservoir. It was full of risk and stress, some of which I still live with today. On top of the large loans I took to open my first restaurant, I had to borrow money from family and friends to survive my first year. It's a daily education in cash flow, market changes and labor management. Restaurants run very tight margins. Usually around 5-15%, mine land in the 8-10% range.

Being a business owner for the almost 9 years, I learned I really like employing people. I never realized just how many people I would personally employ, and surprises people when I tell them the numbers. Full service restaurants have positions ranging from hosts, servers, food runners, bartenders, floor managers in the front of the house and line cooks, chefs, dish washers, prep cooks in the back of the house. Having multiple locations also created the opportunity to create managerial rolls like general manager and assistant general managers. The growth I have seen in my businesses has also allowed for the career growth of my employees over time. Some from servers to general managers, others from line cooks to head chefs. As of last year, we made health care available to full time staff.

As I learned quickly in the markets I serve, my business needed to try to buy local products across the board. Mostly due to customer demand and feeling like it's the right thing to do. Yearly we buy hundreds of thousands of dollars worth of local produce, proteins, liquor and my favorite beer. All these goods are delivered to us via local distributors all located in Vermont.

My point is we are the end of a very long chain of jobs in Vermont and we are the final step of presenting these products to our customers. As you can imagine changes to minimum wage will have impacts to our costs of goods as many of our purveyors and vendors see increases. Many other businesses, for example a box store, who might not rely on so many other local businesses for their purchased goods, might not see these increases. The true cost of these increases is a total unknown to me as an employer, I only hope I can adjust fast enough to be profitable and not cash flow out of business.

Now let's talk about increased proposals to minimum wage. I testify before you today that I believe minimum wage needs to go up over time. I follow that by saying this needs to be at a rate that businesses can understand and hopefully absorb. Hospitality is a highly important sector of Vermont jobs, and hopefully will continue to employ thousands in Vermont.

Many of my back of the house positions pay above minimum wage and even the short-term goal of \$15/hour. Much of this has to do with the current labor market, our ability to retain talent and to minimize turn over. As minimum wage increases I fully expect a cost shift as the lowest earners that earn near the bottom approach other workers who have either higher skilled positions or have been with me longer. If a

dishwasher ends up making \$15/hour the line cook who worked up from \$10 today will expect to be paid more than the job they had years ago. The ultimate costs of these increases are unknown to me as an employer. I can estimate the best I can but a lot of it will have to do with the labor market moving forward. I think again my business can absorb this increase over time if it doesn't come to fast. 10% jumps year after year is a rate out pacing my growth as a business. Other restaurants that have smaller margins or lower sales, may not be able to operate with the rate of the increases proposed.

That being said, I am here today mostly focused on one thing that I think is a flaw in all of the proposed bills I have seen. TIPPED MINIMUM WAGE should NOT be coupled with any increases in minimum wage as it has been for many years. It creates a cost increase to all tipped wage employers even when wages are well above the short and long term goals of these minimum wage increases. It also continues a real disparity in wages between front and back of house. These are not the employees that are asking for increases in my business. Tipped employees will most likely reap benefits from increases in non tipped wages as restaurants have to most likely increase prices to adjust for higher minimum wage. Tips are a percentage of final customer cost, which I fully expect to go up as a response to the increase costs of labor in the back of house and increases to our cost of goods. I repeat, just raising non tipped minimum wage will most likely increase wages for front of house tipped employees.

Last year my tipped servers and bartenders in Waterbury averaged wages above \$27/hour including their \$5 tipped minimum wage. If coupling tipped minimum wage to non tipped minimum wage the increase from \$10 (2017) to \$15 per hour will be an increase of from \$5 (2017) to \$7.50 for tipped employees. That is an increase of \$2.50 per hour worked. My restaurants totaled between 15000-16000 tipped wage hours. That means each of my business would see increased labor cost JUST for my front of house employees of \$37500-40000. This number represents a QUARTER to HALF of my profits last year. What business that has regular wages at \$27+/hour is going to see an increase to their costs with these bills? They aren't but tipped wage employers will. Businesses with tipped wages under minimum wage must foot the bill to get their employees to minimum wage. In a scenario that a restaurant is unable or meeting minimum wage their employees will see increased wages with these bills no matter if the tipped minimum changes. Tipped wage does not need to increase and be maintained at a flat level as minimum wage goes up. In my option, this is a major error in the bills presented and puts an unnecessary financial burden on every sized hospitably business.

Allowing employers to create a tipped job at a relatively low cost is an opportunity to create jobs that have a somewhat unlimited upside. These jobs are created every day and many are more than livable wages in Vermont. I would argue that tipped minimum could and potentially should be returned to federal minimum to undo this mistake that was made in the past. That change alone could allow an employer with tipped and non tipped workers to cost shift from front of house to back of house without potentially having to make any major changes to price, quality or labor.

New models for restaurants I have been to recently eliminate many jobs by having patrons order and pick up at the counter, delivered on paper products. This eliminates the needs for servers, dishwashers and food runners for example. This trend could happen with current businesses as well as they deal with increased front of house costs from tipped wage increases. Don't make this mistake. Protect these jobs, they are a huge backbone of my businesses and Vermont.

It is my duty as a business owner to follow the laws you create, it is your duty to understand the math and impacts your laws create.

Thank you for allowing me to speak today and I would be happy to answer questions.