

17485 Monterey Road, Suite 105

Morgan Hill, CA 95037

(408)779-9444, info@morganhill.org**2016 Board Executive Committee**

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August 24, 2016

Dear Mayor Tate, Mayor Pro-Tem Constantine and Council Members Carr, Librers and Siebert;

Based on extensive feedback from our local businesses (see attached) the Morgan Hill Chamber of Commerce vigorously opposes the proposal to increase the minimum wage within the city limits at a much more rapid rate than the recent changes in California law already require.

Our position is based upon several key conclusions and observations:

We strongly support assisting residents in earning a livable wage.

We believe the right long term answer though, is in helping them to become better trained and educated.

The cost impact on independently owned retailers, restaurants and service providers are much more significant than was stated by the Berkeley based consultant's report.

One local restaurant, for example, provided a very detailed payroll analysis which shows their payroll costs (including wage compression issues) will increase by 14% at the \$12.50 level and 40% at the \$15.00 level. These numbers show a much more reasonable estimate than does the consultant's projected 3% cost increase by going from \$10/hour to \$15/hour.

Independent retailers in particular have very little pricing flexibility.

They must compete with the big box stores (which do not spend nearly as much of their income on staff as do service oriented local stores) and online behemoths like Amazon. One of the most common things we hear is that the Morgan Hill community values these locally owned and operated establishments and would like to have many more. The already high cost of rents, insurance and utilities make it extremely difficult for independent specialty retailers to survive, and a rapid escalation of the local minimum wage will likely result in layoffs and/or closures by these kinds of businesses.

Neither a \$10/hour nor a \$15/hour wage is generally sufficient to afford decent housing or create additional disposable income to be spent within the City of Morgan Hill.

It has been argued that an increased minimum wage will axiomatically result in more business for local companies as there would be more money circulating in the local economy. While there may be some such effect, you have to remember that Gilroy and other cities to our south are highly unlikely to adopt increased local minimum wages, and a majority of our Morgan Hill employees at or near minimum wage do not live in Morgan Hill. Any increased spending they do is likely to end up closer to where they live than it is to stay here.

Youth employment will likely be the most radically impacted sector should the proposal be approved

Minimum wage jobs should be for the purpose of introducing younger people to the world of work and are not designed to be lifelong careers. A significant proportion of the people working at or near minimum wage in Morgan Hill are high school and college students earning supplemental income while learning what it means to work. Our larger employers constantly highlight “workplace soft skills” as a leading issue when they are hiring, and these part time minimum wage jobs remain the primary way young people learn those skills while simultaneously pursuing the education which will qualify them for higher paying work.

An increase in hourly wages may negatively impact other assistance programs.

Our organization does not have the data to properly assess the overall impact of increasing minimum wage on the working poor households this effort is intended to support. However, we have heard from experts in health care, housing, pre-school and other subsidized support services that relatively small increases in a working poor family’s job related income can have the unintended consequence of costing them more in lost housing, food, healthcare and/or pre-school benefits than they are making in increased take home pay. Nearly all of these programs are income tested using rules set by the federal and/or state governments. Hopefully the State of California is working to figure out how to reduce these negative consequences as the state-wide minimum wage goes up, but there is almost no chance of these adaptations being made in response to local initiatives.

Although Morgan Hill clearly is part of Silicon Valley, our economic model and demographics are significantly different than other Silicon Valley cities such as Palo Alto or Sunnyvale.

We sincerely hope you will carefully consider our views in making your decision regarding what is best for Morgan Hill.

Sincerely,



Robert Airoidi, Board Chair

Morgan Hill Chamber of Commerce Business Survey Results

Results based on responses of 78 chamber members who self-reported that they are business owners and/or managers. Survey entries all received between 8/18/16 and 8/22/16

Support for Statewide increase already passed into law:

Agree	38	49%
Disagree	31	40%
Neutral	9	12%

Support for accelerating increase per Cities Association Proposal

Agree w/accelerated increase	20	26%
Disagree w/accelerated increase	54	69%
Neutral regarding accelerated increase	4	5%

Plan to reduce staffing if Cities Association Proposal adopted:

Not Reduce	25	37%
Significantly Reduce	15	22%
Slightly Reduce	28	41%

63% say they will reduce staffing

Plan to more rapidly replace workers with automation:

No plan to accelerate replacement of workers with automation	51	65%
Plan to slightly increase pace of replacing workers with automation	12	15%
Plan to aggressively replace workers with automation	15	19%

34% say that will accelerate implementation of automation

Other comments received:

Aggressively raising the minimum wage will increase unemployment & cause inflation!
Agree with State, however, the retailers will pass on the increase to the consumers I imagine.
As a new Small business owner with high loans, this will impact my profit margin
Doing this more aggressively will cause these cost to be passed on to senior, kids, special needs.
Employee hours will be cut and no more overtime pay. California needs a 40 hour work week!
I think more categorizing needs to be done with regards to defining a minimum wage job
I think the minimum rate should be in line with increase or decrease of economic highs and lows.
I think this will depress business in MH, as it is certain to increase costs, and therefore prices.
If the minimum wage increases this rapidly I fear I will have to close or relocate my business.
In the worst case this change could force closure of our Morgan Hill location.
Minimum wage hike does not motivate employees, Employees work less in order to get government help.
Minimum Wage jobs should be temporary and if they work to become more valuable they will make more.
Minimum wage should not be mandated by the Federal Government
Need to get fair wages for South Valley workers
Opportunity to show South County is best kept secret of Silicon Valley - lets do \$12 NOW, \$15 TBD
Please stay with the state recommendations! This is killing small business owners
Profits are not considered in the public sector; however, if state funding does not increase, then..
Raising minimum wage is a feel good false economy and will harm small businesses
Stop driving non-tech manufacturing companies out of the area!!!!!!!!!!!!
The plan is too aggressive....we would have to pass on the cost to our clients at too fast a rate.
There should be a reduced minimum wage for staff who receive tips in restaurant employment.
this is a bold move by the City put long overdue
This will leave little room for incentive to earn pay increases since the new pay will be high to start
This would significantly and negatively impact our bottom line.
Waste of time
We are already paying above the minimum. Wouldn't be able to attract good employees if you do not.
We hire mainly first time workers/High School Students. This will result in more automation.

