Restaurant Name: Ethan Stowell Restaurants

Type of Restaurant: Full Service Restaurants

Bar service?: Yes – 22.51% wine sales, 8.61% beer sales, 3.73% liquor sales

Ownership: Individual LLC's in which we own 100% of all but two. We own 65% of those.

Years in Business: 11 years. First restaurant, Union, opened in 2003 and closed in 2010. We turned our first profit in 2010 on the restaurants opened in 2007, 2009 and 2010. Our first restaurant never turned a profit. It took significant time for us to turn a profit, and this is a typical experience for any new restaurant operator.

Number of Locations: Currently operating 9 restaurants in Seattle with two more scheduled to open this spring/summer.

Number of Employees: around 200

Compensation for employees

	Employee Type Server	Employee Type 2 Host/Busser/Expo	Employee Type 3 Dishwasher	Employee Type 4 Line Cook
Base Pay $ / hr	$9.32	$10.32	$12.49 avg	$14.79 avg
Average Tips / hr	$22.73	$9.91	$.55	$.92
Average Hs Worked / wk	25	23	34	38.5
Benefits Cost / hr	$.50	$.50	$.50	$.50
Bonuses paid / hr	$0	$0	$0	$0
PTO avg	$.40	$.48	$.39	$.41

**National average cost of culinary school: $15,000 annually (programs vary from 2-4 years and can cost up to $25,000 annually).

Annual Budget/Profit Margin:

2013 – 31% Gross Profit Margin & 6.2% net income before capital investments, debt repayment, tax and depreciation.

2012 – 30% Gross Profit Margin & 6.04% net income before capital investments, debt repayment, tax and depreciation.

At a 6% net income margin, we are considered Seattle's "working middle class" for a local, independent restaurant group.

What would happen specifically to your business if minimum wage raised to $15 immediately?

- Our gross profit margin would be reduced to 24%
- Net income would reduce to -7.48%.
- Payroll cost would increase by $517,000 or 15.66%.
- Cost of goods would increase by 4.2%
- Other operating costs would increase by 9%
  **Assumptions based on UC Berkley study

  Adjustments

- Cut approximately $100,000 in annual charitable giving.
- Cut PTO for non-salaried employees and eliminate educational trips for managers and chefs.
- Most likely decrease our support staff (hosts/bussers) and consider closing certain days of the week, which would reduce all employee hours.
- Cease expansion in Seattle. Seek business growth opportunities in other regional cities or out of state.
- Consider diverting local purchasing to larger, national chain suppliers.
- Stop hiring employees with little or no restaurant experience. This closes the doors for many talented young people who often learn a valuable trade from on-the-job-training.
- Increase menu prices by 25% to offset decreased profit margin. That means a typical $25 entrée would cost over $31. It would increase costs for all and reduce the buying power for our current guest demographic, which will not necessarily see an income increase as a result of this policy.
  - Price increase takes into consideration the cost of labor increase as well as a cost of goods increase. This data is somewhat flawed because the Berkley data was generated from static numbers. Prices of cost of goods for our restaurants are dictated by local farm crops, boutique livestock fluctuations, shellfish harvests, the cost of the Euro for imported products and other unforeseeable price increases.
  - The rule of thumb in the restaurant industry is that for every 1% increase in pricing, there is a 1% decrease in customer counts. Our average guest check is currently $94 in our full service restaurants and would go up to over $117 under new, necessary pricing. I have not seen any data that suggests that an increase to a $15/hour wage would allow enough discretionary spending for those lowest income earners to replace the potential 25% loss of current customers.
- I foresee that customers would no longer tip servers and bartenders the standard 15-20%, so their wages would actually decrease overall because gratuities account for a majority of their total income.

What would make your business sustainable if the minimum wage was raised?

Total compensation: This is the number one way to minimize the negative impact on restaurants. It would still allow the top earners in our industry to maintain that status while raising wages for the lowest income earners in the kitchen to $15 an hour or more. Instead of a payroll increase of $517,000, we would see a much smaller labor cost increase (closer to $93,000) which would mean smaller price increases, allow for a charitable giving budget, eliminate or limit layoffs, and increase the likelihood of continued growth in Seattle. It will keep standard tipping practices in place, which would actually offer more wage security for front-of-house employees.

Phase in: This should not be a substitution for total compensation, but is essential and would ease the burden on local, independent businesses. A phase in of seven years is the responsible thing to do for businesses that do not employ tipped/commissioned workers. A phase in would give us more time to adjust our business model, increase prices more slowly, retain more customers and pay off debt that would free up cash flow and ensure the overall health of our company, translating to job security for employees. **A phase in without considering total compensation does not address the issue of income inequality in the restaurant industry.**

Training or youth wage: Many of our entry-level kitchen positions are filled by Seattle's youth. Many chefs, including my husband and business partner Ethan Stowell, got their start as dishwashers or prep cooks. One of our company goals is to help grow a thriving Seattle restaurant community. Setting reasonable parameters for a training or youth wage would open more kitchen doors to aspiring culinary professionals. We want to continue hiring from South Seattle Community College's amazing culinary program and programs like it. No recognition of a youth or training wage could be a detriment to our community and the growth of Seattle's restaurant industry.