

Restaurant Name: Pagliacci Pizza

Type of Restaurant: We have pizzerias and delivery kitchens throughout the Seattle area

Bar service?: None

Ownership: Matt Galvin and Pat McDonald. They both grew up in the area and purchased Pagliacci from Dorene Centioli-McTigue, the founder, in 2000.

Years in Business: Pagliacci celebrates its 35th anniversary this year.

Number of Locations (in Seattle/outside Seattle): The first location opened in 1979 on the University Ave. We now have 24 locations all of which are in the greater Seattle area. Sixteen of our locations are within the City of Seattle. Our Phone Center, Commissary and Support Office are located on Capitol Hill.

Number of Employees: We have 650 employees, of which 480 work in the City of Seattle.

Compensation for employees (fill in for different employee types that are paid minimum wage or your lowest salary rung – feel free to include more or less than three)

	In House Cooks Average	Delivery Driver Average
Base Pay	\$11.00*	\$9.32
Average Tips	\$3.50	\$11.12
Average Hours Worked	25	20
Benefits	\$2.58 Health Insurance & 401k	\$2.58 Health Insurance & 401k
Bonuses	\$0.10	\$0.10
Other		
TOTAL	\$17.18	\$23.12

*Average wage for crewmembers with Pagliacci for over one year.

Annual Budget/Profit Margin: Our Seattle locations each generate over \$1 million in sales and we typically see a 6 -8 % net profit in the good years.

We have spent over \$4 million in capital improvements in the past two years. We have built a new location (certified LEED gold), remodeled a 20 year old building (Stone Way) and invested in general maintenance and equipment purchases. We have learned the hard way that maintaining our locations is incredibly expensive! These investments have allowed us to create over 50 new jobs in the City in the past two years. We are no Amazon but, for a small business, this is a significant accomplishment.

Another significant component that is not unique to any business is debt. In our case, our debt obligations exceeded \$2 million in 2013. These are long term (4 – 10 year notes) that require monthly

payments. We made the decisions to invest in our new and old locations with the idea that we could afford to pay back the bank debt over the next several years. The bank is unforgiving as anyone who has taken a business loan can attest. It was just five years ago when the banks were squeezing many small businesses. The wounds from the Great Recession are just starting to heal.

It seems that there has not been enough discussion or consideration for the longer term personal obligations that are being made. For Pagliacci, the rent payments are fixed and run over \$1 million a year for the next several years. Our obligation to make these rent payments each month for at least five years in our Seattle locations means we really don't have the choice to close the locations. If we were to close a location, we would still be required to make the balance of the rent payments through the end of the lease.

What would happen specifically to your business if minimum wage was raised to \$15 immediately? If phased in?

If a \$15 minimum wage is strictly defined and excludes all forms of compensation, the cost to our labor budget in the City of Seattle would increase by nearly \$3 million. Our company would go from making a profit that allows us to run a successful, profitable business to one that is losing money on a daily basis. We would need to do some, if not, all of the following:

- Raise prices between 10 – 15%
- Add a delivery fee of \$2-\$3 for Seattle deliveries.
- Remove the tip line from our receipts.
- Reduce or eliminate health insurance, our 401k match and other benefits.
- Seek better terms/rates with our landlords.
- Seek better terms/rates on our debt with our bank.
- Move our Phone Center, Commissary and Support Office out of Seattle.
- Stop expansion and/or remodeling of current locations in Seattle until we can prove it is economically feasible.
- Reconsider our commitment to environmental stewardship. Packaging, construction, sourcing would all be on the table.
- Reduce or eliminate charitable giving and donations.
- Reduce quality of food benefit. We provide nearly 10,000 meals a month for our Seattle based employees.
- Reduce the current PTO benefit that is in excess of what the City mandates.

These changes are severe and difficult to contemplate let alone implement. The employee benefits, in particular, are some of what make Pagliacci a great place to work.

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

Total Compensation:

We believe the most important factor in increasing the minimum wage is that it should include tips and other benefits (health care for example) as part of a total verifiable compensation. The Federal Government stipulates that each employee and their employer must pay payroll taxes on tips, so it is

already part of our payroll system. The Affordable Healthcare Act requires companies to disclose the cost of employer made health insurance contributions so this is also easily verifiable. It would be relatively easy to verify these sources of compensation and ensure that each employee is meeting the minimum amount.

Phase-In approach:

A minimum wage should include total compensation and be phased in over at least five years. Though most of our employees receive tips, many businesses do not. Some of vendors would have to raise prices. How much we won't know until the law passes. I don't know how you plan for a 60% increase in the minimum wage with less than a year's notice. The debt and rent obligations are two factors that argue for a longer phased in approach in order to allow for us to properly service these obligations.

No Exemptions

Whatever passes should apply to all employers. If the goal is to address income inequality why would the size of the business drive the pay scale? It seems that there should be a consistent standard to which all employers, public sector, private, non-profit and unions alike would all adhere.

Help with cost of training new employees

The General Managers at Pagliacci have been with us, on average, over 13 years. The manager tenure is what makes our success. This statistic alone gives me the greatest amount of satisfaction. Out of this group of General Managers, eight of them started with us as teenagers. Additionally, we have eight more Associate Managers that started in their teens. If the starting wage for a teenager or new hire is \$15, we would have to reevaluate our hiring practices.