

June 25, 2015

Jim Reid, Facilitator  
Minimum Wage Task Force for the City of Tacoma, WA

Jim:

It has been an honor serving on Tacoma's Minimum Wage Task Force this past month. These meetings have been enlightening, fun and stressful. One of our tasks is to come to consensus on a proposal. At Monday's meeting, participants recognized that reaching a consensus may be difficult in the remaining meeting.

In these meetings, we have discussed many times that Tacoma is not Seattle, with data from the University of Washington and analysis of median income and rental costs reinforcing those differences. Yet the proposal discussed Monday would lead to a higher minimum wage for some businesses in Tacoma than if the same organizations were located in Seattle. This is a result of both a more rapid increase in the minimum wage and many more businesses falling into the "large business" category. After all the data presented about Tacoma's economy and working population, we don't believe it makes any sense to recommend putting Tacoma at a competitive disadvantage in Pierce County and Washington State, let alone against Seattle.

We also believe that compromise entails an approach that "meets in the middle", and reflects the true economic conditions in Tacoma. While many believe that the current minimum wage acts as a great starting point for many employees, we have been accepting of alternatives to this position for some time now.

For most employees, they receive much more than base wages as part of their compensation. This was highlighted by the University of Washington economists early in the process. This also means a business's expenses are much more than base wages. With this in mind, the current minimum wage works well for many employees and businesses – including employees who receive other forms of compensation such as health insurance, retirement programs, tips, meals, commissions, and the like.

However, the business community has been open to a discussion about raising the minimum wage. The businesses around the table with the task force have even been willing to ignore these other forms of compensation to arrive at a simple, logical solution that everyone can rally around, per Mayor Strickland's direction. Unfortunately, we are running out of time to reach such a solution.

Accordingly, we have made as much progress as we can in the very limited time given to us. With this in mind, we would like to formally propose that Mayor Strickland and the City Council of Tacoma put on the ballot in November 2015 a \$12 per hour formula as the following, referred to in the June 22<sup>nd</sup> task force meeting as "Proposal C":

- \$10.25 per hour on January 1, 2016
- \$10.75 per hour on January 1, 2017
- \$11.25 per hour on January 1, 2018
- \$12.00 per hour on January 1, 2019

Starting January 1, 2020, we are proposing that the minimum wage adjust annually per state law (which uses the CPI-W index).

The benefits of this proposal are:

1. It's simple to understand and administer. There are no complicated exemptions, classifications, or distinctions created by the proposal.
2. It reflects the difference in the economies of Seattle and Tacoma. Tacoma's cost of living is only 83 percent of Seattle's.
3. It will result in increased wages for the targeted workers. The lowest income workers will see increased wages of over \$5,000 per year.
4. Businesses have time to plan and adjust to the wage change. Reasonable phase-ins minimize job losses.
5. There are no mandated increases after 2019 other than natural inflation. This allows the Council & community to evaluate the positive and negative impacts of the increase before deciding to make any additional changes.

The proposal reflects significant compromise – it does not include important training wage, health care, retirement or total compensation (tips) elements that many believe are critical.

Additionally, it makes no distinctions between large and small businesses – we believe every business should compete on a level playing field. Moreover, we don't believe that workers should be treated differently simply due to the size of company that they choose to work for. Finally, any distinction based on number of employees or financial metrics are purely political, as no rational analysis has been proposed. Choosing to discriminate based on the size of an organization will undoubtedly have unintended consequences.

As we look at the proposals, we need to be mindful that even our proposal will put Tacoma businesses at a competitive disadvantage with neighboring communities like Fife and Federal Way. Nonetheless, we believe that if a local minimum wage is necessary, a term-limited modest approach is an appropriate policy for the City to start with. They can certainly opt to change it over time if the situation warrants.

We know we cannot fully predict the impacts to the local economy 5 years out, let alone ten-plus years from now. As the City looks to adjust the minimum wage, we encourage them to state clearly what they hope to accomplish in advance, so we, as a community, can determine if those goals are met. Then, if appropriate, the community can always make additional changes down the road as the need arises.

We feel a \$2.53 raise in the minimum wage to \$12 per hour is a Tacoma sized solution.

Respectfully,

Kelly Chambers  
Odette D'Aniello  
Dennis Farrow  
Reggie Frederick  
Eric Hahn  
Russ Heaton