

FW: Feedback from Copper Canyon Grill on the Tipped Wage Bill

Eubanks, Sandra A. <saeubanks@co.pg.md.us>

Wed 10/11/2023 11:27 PM

To: Arrington, Melody M. <MMArrington@co.pg.md.us>

Below for binder

From: Franklin, Mel <MFranklin1@co.pg.md.us>

Sent: Tuesday, October 10, 2023 2:08 PM

To: Franklin, Mel <MFranklin1@co.pg.md.us>

Subject: Feedback from Copper Canyon Grill on the Tipped Wage Bill

Importance: High

Colleagues,

Please see the feedback that I just received from Copper Canyon Grill, which, as you know, has a location in Woodmore Town Centre.

-Mel

From: Zania Patterson <zpatterson@ccgrill.com>

Sent: Tuesday, October 10, 2023 12:31 PM

To: Franklin, Mel <MFranklin1@co.pg.md.us>

Hi Mel,

Here are our concerns regarding the new rule against tip credit.

There are some misleading claims surrounding the proponents of increased wage costs. First, they assert that servers could earn as low as \$4 per hour without providing any credible evidence to support this assertion. Second, it is essential to note that such practices are illegal, as employers are obligated to ensure that tips and hourly wages meet the minimum wage requirements. Government intervention isn't always necessary, as law firms frequently file class action lawsuits against restaurants for wage violations, acting as a check on employers.

In reality, eliminating tipping forces restaurants to implement service fees to sustain higher hourly wages, as raising menu prices risks losing customers to neighboring counties where tipping still exists. Without service fees, our net income would decrease by half. The addition of service charges and increased menu prices will deter customers from tipping servers. Many of our servers earn between \$22 to \$25 per hour, with some exceeding this amount. Attempts to attract talented individuals for management roles with competitive salaries have been unsuccessful, as the potential pay cut dissuades them. Consequently, many skilled employees, including those with advanced degrees, would leave the industry. For example, we try our best to convince really good servers to move into management with starting salaries of \$70,000 per year, and they turn it down because they do not want a pay cut. With a service charge, these positions would make much less,

and there would be little or no incentive for them to give good service to our guests for a potentially higher tip.

Currently, we pay servers \$8 an hour plus tips due to a labor shortage, and the proposed plan won't affect us immediately. However, this situation is driven by market forces—limited supply and high demand—ensuring fair compensation. No restaurant, and in fact any business, has enough employees. Servers and bartenders are not captive to any specific restaurant; they have various employment options, which keeps employers accountable. This fundamental market dynamic is often overlooked by the proponents.

The only good news for us potentially is that we will no longer have to worry about another well-operated restaurant company showing up in our part of Prince Georges County. The County is always trying to attract better quality establishments, and this will certainly keep all of the direct competition away. But, our restaurant quality will clearly suffer.

Additionally, I recommend reading this intriguing article from The Wall Street Journal, detailing an experiment conducted by a Chicago-based restaurant company. They ventured into eliminating tips, leading to a notable decline in both sales and employee earnings.

Read this: [*The Wall Street Journal*](#) reports on one Chicago restaurateur who experimented with eliminating tips. Spoiler alert... overall pay declined, and sales fell.

Zania

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