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When California's minimum wage jumped from \$8 to \$9 on July 1, owners of restaurants, coffee shops and bars braced for the fallout. They would either have to bump up prices and risk losing customers or absorb the hit and deal with slimmer margins.

Some had developed new cost-and-pricing strategies months ago to account for the

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& Ladder and The Golden Bear, two busy midtown restaurant/bars that employ 84 people, half of whom earn minimum wage.

Bazett said he and his partners ended up charging 25 to 50 cents more for cocktails and pizza — “something undetectable to the average person. We were looking at gradual and small and only what's necessary.”

Then there was Temple Coffee and its no-nonsense owner, Sean Kohmescher. Earlier this month, Temple put a tiny typewritten sign on the door of its S Street location alerting customers that the minimum-wage increase meant Temple would bump its prices 12 percent effective immediately.

Many of the 40 employees at Temple's three locations make more than minimum wage. Still, the wage hike obligated Temple to boost pay accordingly, so that established workers weren't making the same as new hires. “We came up with a full structure,” Kohmescher said. “We want people to be happy. We want them to know they are appreciated.”

While that new structure has had an effect on prices for the award-winning coffee, Kohmescher says he hasn't heard much grumbling from customers.

“If you talk about 25 cents, what's that in a parking meter? That's 10 minutes of parking. In today's day and age, 25 cents doesn't really buy a lot,” he said. “We generally over-think it and overreact to it far more than the customers. We're just sensitive. We don't want to have to raise prices.”

At Mother, the acclaimed vegetarian restaurant on K Street, owner-chef Michael Thiemann calls the minimum-wage increase “a huge issue” — especially the next one on Jan. 1, 2016, when it climbs from \$9 to \$10. By then, Thiemann, who employs 20 people at Mother, will have opened his second restaurant, Empress, and expects to have a total of 80 employees.

He said he has held the line on his prices since wages climbed, but it's only a matter

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"It's one of those things that draws people in," he said. "I would much rather have a full restaurant and weather the storm and hope for the best," he said. "We had an idea of what we wanted to do with the bistro to become an approachable place. I haven't raised my prices because of the minimum wage."

Nevertheless, the wage increase has created management challenges. Among the key issues at restaurants are tips. Servers get the lion's share of them, while cooks and chefs generally get a small portion of the tips, if any. A talented server at a busy restaurant can make more than \$25 an hour on top of his or her wage, while line cooks often make \$10 to \$12 an hour, even at the best restaurants.

Many servers earn minimum wage and received a raise July 1. Most cooks earning more than minimum, on the other hand, aren't seeing that same increase. The disparity in earnings between the "front of the house" and those in the kitchen can sometimes lead to tension. Thiemann and other experienced chefs say they make an effort to mitigate any paycheck envy.

"You try to create a culture where nobody talks about money," Thiemann said. "Cooks are cooks. The people who are in these jobs are in it for a reason. Cooks want to be cooks and they understand there is less money in it. I'm married to a server. There's a lot of skill and pressure that goes into the service industry. If it wasn't for tips, I'd have to pay them more hourly and I wouldn't be able to survive that way."

Paski, an opponent of the \$1 wage increase, says his biggest objection is with servers, since they make much of their income through tips.

He notes that California is one of seven states that do not allow employers to pay less than minimum wage if overall wages, including tips, exceed the federally mandated minimum. (The federal minimum wage for tip-earning employees is \$2.13 an hour. The Labor Department permits employers to pay that lower base wage as long as the

worker makes at least the full federal minimum wage of \$7.25 an hour when tips are

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Servers, however, will point out that many restaurant jobs aren't full-time and that tips can be uncertain. According to a May 2013 Bureau of Labor Statistics, the hourly mean wage for a restaurant waiter or waitress in California was \$10.81 and the annual mean salary was \$22,490.

Jennifer Lambros, who works full time as a schoolteacher and part time as a server at Kru, says she appreciates the increase. Known as one of the best servers in the city, Lambros says a good night can see \$150 in tips for a five-hour shift (from that amount, she'll "tip out" other employees, including bussers, hosts and kitchen staff).

"Even though I have another income, I was excited on July 1. I mean, a \$1 raise is a lot," said Lambros. "Since the cost of living continues to rise, the minimum raise going up is important even though it doesn't matter as much for us because of tips."

Bazett said he had mixed feelings about the wage increase. "Does it create an expense for us and potentially threaten the health of the business and my personal financial health? Yeah, potentially. Any increase in overhead is the biggest issue in small business," Bazett said. "But if people are doing a good job for you and are a huge part of your business model, then it's important to do right by them."

Paski predicts more price changes with the 2016 wage hike. "If we want to stay in business, it doesn't come out of my pocket because there's nothing in my pocket," he said. "It has to come out of the customer's pocket if we want to stay in business."

At Hoppy, Paski has 43 employees, 40 percent of whom make minimum wage. He calculates that he pays 26,000 hours of minimum wage annually and that the current increase means he will be paying at least \$1,000 more per month.

In the restaurant business, there's a constant fear that raising prices could change customer dining-and-drinking habits, and business could fall off.

“We hadn't changed the prices of beer in five years, so it was way past due,” Paski

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