



April 4, 2019

House Committee on General, Housing, and Military Affairs
Vermont State House
115 State Street
Montpelier, VT 05633

Dear Committee Members:

I am writing you with respect to the discussion about raising Vermont's Minimum Wage to \$15 per hour by 2024.

My family is the majority owner of Sugarbush Resort. I am the President of Sugarbush and a full-time resident of Warren. In this era of consolidation in the ski industry, Sugarbush is one of the few remaining large, locally owned and operated ski resorts in the Northeast. We employ 160 people full time. In the summer our total staffing is roughly 315 and in the winter it is approximately 900. In addition to our full-time employees, our labor force consists of part-time and full-time seasonal employees and limited-hour seasonal employees who work weekends and holidays. Our total payroll is approximately \$12.6 million. We also incur additional benefit costs of over a \$1 million, including healthcare for full-time and seasonal staff who have averaged 30 hours a week and completed a year of service. Payroll taxes add an additional \$1 million to our labor costs.

In addition, we offer our employees other benefits such as ski and golf passes for themselves and their families, discounts on food, daycare, equipment rentals, and lodging as well as offering a 401K for our full-time staff. We also have housing available for nearly 130 individuals and the cost to them is less than 25% of their weekly income even at current minimum wage. Our employees are our most important asset and compensation and benefits are by far our biggest cost.

The ski business is not a high-margin activity like some other industries. Our business is cyclical and highly dependent upon weather conditions. Since owning Sugarbush, we have reinvested 100% of our cash earnings into the business in order to remain sustainable in a highly-competitive market. We are proud that we have also been able to support our local communities philanthropically by donating nearly \$1M per year in cash and in-kind gifts.

We are supportive of the minimum wage increasing to \$15 for full-time employees. The vast majority of our full-time employees are at or earning more than \$15 and those that are not will be there by 2024 given average competitive pressure in the marketplace. However, having this wage

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increase applied to part-time and seasonal employees, many of whom have full-time jobs elsewhere, would create a significant burden on our operating results.

Given a highly competitive environment with out-of-state conglomerates buying ski resorts, we are not in a position to raise prices to offset the additional burden of having wages rise by 6-8% per year, especially when our revenues can fluctuate materially due to weather conditions. Before Stowe was purchased by Vail, our adult season pass cost \$1,149. This price was lowered to \$799 in order to remain competitive.

A mandatory minimum wage increase that includes part-time and seasonal workers would cause us to reduce existing benefits for full-time employees, pursue further automation, reduce our charitable donations, and it could lead us to selling the resort to an out-of-state conglomerate who would then eliminate a substantial number of jobs or move them out of Vermont.

Most of our costs are not variable. Health insurance costs, for example, have been rising far faster than inflation and are now our second largest expense after wages. A number of other expenses, such as workers' compensation, are tied directly to wages and would thus increase along with higher wage rates. Vermont already has one of the highest workers' compensation rates of any ski state.

Had there been a minimum wage of \$15 in place last year, our earnings would have been reduced by 60% and that was one of our best years. Three years ago, with more challenging weather, we would have lost money and been in violation of our bank covenants. Instead we were able to retain all of our employees, meet the requirements of our bank covenants, and invest in a number of capital improvements.

Although I am supportive of an increase in the minimum wage for full-time employees, I ask that you leave the current minimum wage as is for seasonal and part-time workers. Alternatively, extending the ramp-up in the minimum wage to at least 2026 would be more manageable.

I also ask that no increase be made to the minimum wage for tipped employees. These are some of our most highly compensated workers. Increasing their minimum wage only increases our costs as an employer without adding any material benefit to the employee whose tipped income is far greater than their wage earnings.

Sincerely,



Win Smith
President and CEO