



Long Beach Convention & Entertainment Center (LBCEC) and Long Beach Airport (Airport) - Minimum Wage Consideration

City Council Meeting
January 7, 2024



long beach
airport

CITY OF
LONG BEACH

LBCEC & Airport – Minimum Wage Consideration

Background

- LBMC Chapter 16.60 sets minimum wage at the LBCEC and Airport: Currently: \$17.97/hr.; Hotel workers under Measure RW: \$23/hr.
- Previously City Council has supported minimum wage increases for healthcare, hotel and restaurant workers.
- June 16, 2024 – City Council requested City Manager evaluate options to modernize minimum wage rates at LBCEC and Airport.
- November 1, 2024 – Memorandum released outlining options and impacts.
- Under the Contract Provision in LBMC Section 16.60.050, any revised minimum wage required under this ordinance would not need to be implemented until after termination dates.

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Current Convention Center Wage & Labor Status

- LBCEC is managed by ASM Global under terms through September 30, 2029.
- Under the Contract Provision in LBMC Section 16.60.050, ordinance would apply after September 30, 2029.
- But, ASM Global is working to incorporate the proposed wage standards, or better, under a new Collective Bargaining Agreement (CBA).
- ASM Global is supportive of implementing the proposed wage standards through the 2028 Olympic Games consistent with Measure RW.
- ASM Global is also working with UNITE HERE! Local 11 to expand the current CBA to include additional non-concession workers to benefit from the increased wage.

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Current Airport Wage & Labor Status

- At Airport, Paradies Lagardere (Paradies) is the Master Concessionaire for five locations in the post-security passenger concourse.
- These locations include two retail and three food & beverage operations.
- The agreements with the City for these operations will terminate on Nov 30, 2027.
- Paradies and UNITE HERE! Local 11 negotiated a collective bargaining agreement (CBA) that modernizes current wages effective April 2, 2022, through June 30, 2027.
- The CBA also provides for a benefits package that includes health insurance, paid leave, a 401k plan, and other miscellaneous benefits.

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LAEDC Wage Study Summary

- Los Angeles Economic Development Corporation prepared a general conceptual analysis of minimum wage increase that the City has used to inform its previous minimum wage considerations.
- The LAEDC report acknowledges that empirical findings are not unanimous but states that evidence suggests minimum wage increases lead to a number of negative economic consequences in the long run including a potential reduction in the number of jobs available to low-wage workers.

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LAEDC Wage Study Summary

- **Benefits**

- Increased labor income to low-wage workers in covered businesses.
- Potential increase in labor supply and retention for covered workers.
- Potential short-run increase in morale and productivity for covered workers.
- Potential increase to Transit Occupancy Tax (TOT) due to increases in average cost of stay for guests in the City.

- **Risks**

- Short-run employment losses, particularly for low-wage workers.
- Potential long-run business impacts, employment losses and reduced future employment and business growth for covered occupations.
- Potential non-labor adjustments such as decreased business profits and quality reductions to cover increased labor costs.
- Potential decrease to TOT due to reduction in guest visits from increased costs of visits that may lead to less visitor spending impacting the local economy.

LBCEC & Airport – Minimum Wage Consideration

LAANE Discussion Summary

- Staff met with representatives from the Los Angeles Alliance for a New Economy (LAANE) to better understand the workers' perspective on a proposed minimum wage increase.
- LAANE is a non-profit that advocates for public policy and union organization in support of better wages and benefits for low-wage workers.
- LAANE highlighted housing unaffordability, the high cost of living, and stagnant wages as further evidence of the need for an increased minimum wage for these concession workers.

LBCEC & Airport – Minimum Wage Consideration

LAANE Discussion Summary

- LAANE provided additional research in support of an increased minimum wage, including a study titled “Estimating the Impacts of the Proposed Tourism Workers Living Wage Ordinances for the City of Long Beach”. The report’s general conclusion states:

“The proposed changes to the wage ordinances will help increase the wages of tourism workers in Long Beach to keep pace with the rising costs of living, including the rapid escalation of housing and health care costs. In reducing the rent and healthcare burden on these workers, the proposed wage ordinance amendments will help more families weather unforeseen financial shocks and could help tourism workers save for home ownership and build inter-generational wealth. The immediate boost in wages and health care coverage will ensure that these workers will sustain our region’s vibrant tourism industry as it continues to rebound from the pandemic.”

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LBCEC Potential Impacts

- Labor costs account for over 40% of total costs at LBCEC and fluctuate often.
- Pre-pandemic, LBCEC operated at essentially break-even. It is now operating at a significant deficit.
- Wage increases will necessitate a rental rate increase at LBCEC exceeding the industry norm of 3%, which could affect existing committed events and competitiveness in the market.
- Reduction in bookings and attendance would directly impact convention-related business at local hotels, restaurants, and attractions, and negatively impact Transit Occupancy Tax and Sales Tax.

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LBCEC Potential Impacts

- The new wage standards could add an additional \$250,000 to \$400,000 in expenses in FY25, adding to the Center's \$1.8M estimated deficit.
- Significant negative financial impacts to LBCEC operations are likely to influence ASM Global's ability to fund future capital investment in the facilities.
- Ongoing labor negotiations, considering additional terms well beyond the proposed minimum wage increase, could result in an operational deficit exceeding \$3.5M+ annually, which is the responsibility of the City.

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LBCEC Potential Impacts

- Irregular Temporary Workers
 - Hired in response to large-scale or short noticed events.
 - CBA directs operator to work with Union to fill those needs with CBA covered workers when possible.
 - There is a possible interest in applying the new wage standards to temp workers.
 - This would increase expenses to Center operations by \$400,000
 - Additional impacts to F&B subcontract could preclude new investment
 - City utilizes temp staffing with a 960 hour per year cap

LBCEC & Airport – Minimum Wage Consideration

Airport Potential Impacts

- Airport must generate its own revenues to cover its own expenses. Concessions generate \$4M annually in commissions to Airport.
- Paradies' CBA allows for a "minimum scale increase" ranging from \$0.20 to \$1.50 per hour if the legal minimum wage is equal to or greater than the negotiated CBA. Paradies will be required to pay wages exceeding the legal minimum wage.
- Paradies was selected for an RFP for new pre-security concession space, subject to Council approval. The proposal includes a \$5.3M investment in the pre- and post-security passenger concourse to refresh the facilities for the 2028 Olympics and Paralympic Games. Changes in the legal minimum wage will necessitate re-evaluation and renegotiation of terms by Airport and Paradies.

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Option 1 – Status Quo Scenario

- The Status Quo Scenario allows the operators and their labor partners to negotiate strong CBAs at the respective facilities.
- Each has a history of fair and equitable agreements with labor partners.
- Market forces from recent and pending local and statewide minimum wage provisions benefit worker and labor positions in current negotiations.

LBCEC & Airport – Minimum Wage Consideration

Option 2 – Moderate Impact Scenario

- At the Long Beach Convention and Entertainment Center:
 - Raise the hourly wage for concession workers at the Convention Center to \$23 upon adoption of amended ordinance, with escalators to \$29.50 by 2028.
 - Upon adoption, twenty-three dollars (\$23.00) per hour.
 - On July 1, 2025, twenty-five dollars (\$25.00) per hour.
 - On July 1, 2026, twenty-six dollars and fifty cents (\$26.50) per hour.
 - On July 1, 2027, twenty-eight dollars (\$28.00) per hour.
 - On July 1, 2028, twenty-nine dollars and fifty cents (\$29.50) per hour.

LBCEC & Airport – Minimum Wage Consideration

Option 2 – Moderate Impact Scenario

- At Long Beach Airport:
 - Raise the hourly wage for concession workers at Long Beach Airport when the current CBA between UNITE HERE! Local 11 and Paradise expires on June 30, 2027. Between now and the expiration of the CBA, Airport concession workers will have wage standards that approximate or exceed the minimum wage levels proposed by LAANE.
 - On July 1, 2027, twenty-eight dollars (\$28.00) per hour.
 - On July 1, 2028, twenty-nine dollars and fifty cents (\$29.50) per hour.

LBCEC & Airport – Minimum Wage Consideration

Option 2 – Moderate Impact Scenario

- Additional Considerations for both facilities:
 - CPI Increases beginning on July 1, 2029.
 - Ensure compliance.
 - Improving the definition of Service Charges to ensure the entirety of service charge goes to workers performing services for the customers from whom the service charges are collected.
 - Clarify that the ordinance applies to all regular full-time and part-time concession workers, but not to irregular temporary staff acquired through staffing agencies whose wages are set by those staffing agencies.

LBCEC & Airport – Minimum Wage Consideration

Option 3 – High Impact Scenario

- Raise the hourly wage for concession workers at the Convention Center and Airport to \$23 upon adoption of amended ordinance, with escalators to \$29.50 by 2028.
 - Retroactive to July 1, 2024, twenty-three dollars (\$23.00) per hour.
 - On July 1, 2025, twenty-five dollars (\$25.00) per hour.
 - On July 1, 2026, twenty-six dollars and fifty cents (\$26.50) per hour.
 - On July 1, 2027, twenty-eight dollars (\$28.00) per hour.
 - On July 1, 2028, twenty-nine dollars and fifty cents (\$29.50) per hour.

LBCEC & Airport – Minimum Wage Consideration

Option 3 – High Impact Scenario

- Airport – Paradies CBA Minimum Scale Increase in effect.
- CPI Increases beginning on July 1, 2029.
- Ensure compliance.
- Improving the definition of Service Charges to ensure the entirety of service charge goes to workers performing services for the customers from whom the service charges are collected.
- Retroactive pay to July 1, 2024.

LBCEC & Airport – Minimum Wage Consideration

Summary

• **Option 1- Status Quo**

- No unknown fiscal effects to operators
- Supports higher wages for concession workers at LBCEC (\$400,000) and Airport (in-place)
- LBCEC and Airport operators implementing wages meeting or exceeding proposed increases
- Supports \$5.3M capital investment at Airport with expected renegotiation

• **Option 2 – Moderate Impact**

- Supports higher wages for concession workers at LBCEC (\$400,000) and Airport (in-place)
- LBCEC and Airport operators implementing wages meeting or exceeding proposed increases
- Controls for growing deficit at LBCEC
- Supports \$5.3M capital investment at Airport with expected renegotiation

• **Option 3 – High Impact**

- Supports higher wages for concession workers at LBCEC (\$550,000) and Airport (\$900,000)
- Both LBCEC and Airport implementing wages meeting or exceeding proposed
- Does not control for growing deficit at LBCEC (\$400,000 impact to agency staffing costs)
- Impacts to Savor F&B Subcontract likely precludes add'l investment at LBCEC from ASM Global
- Jeopardizes \$5.3M capital investment at Airport

* In all scenarios, the impact of the Convention Center's Collective Bargaining Agreement is likely to have substantial impacts to the existing deficit.

LBCEC & Airport – Minimum Wage Consideration

Discussion

- Staff from Economic Development, Airport and City Attorney are available to answer questions.

Thank you

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