



September 10, 2015

Councilwoman Suzie Price  
City of Long Beach, Third District

Dear Councilwoman Price,

I'm writing on behalf the Board of Directors of the Belmont Shore Business Association. Our intention is to articulate the Boards position, on behalf of the nearly 250 business members, regarding the ongoing discussions by city leadership concerning a proposed increase of the minimum wage, here in Long Beach. Collectively, as a professional association representing a wide range of business interests, our hope is to bring our opinions and perspective on the potential detrimental nature of a sharp wage increase here in Long Beach.

Many of the businesses represented by the association are independent, single owner service, retail, or food and beverage operations. As traditional small businesses, many have less than 20 employees and labor is a critical component to their operations budgets. A wage mandate too much over the current federally mandated wage would have crippling effects on most of our members businesses. Merely raising prices on goods and services would mean that most of these operators would no longer be competitive, especially with neighboring markets in such close proximity to most Long Beach businesses. A number of our members have voiced and openly discussed relocation from this community to neighboring cities to escape the proposed increase. Others have theorized a payroll reduction thru reduced staff or reduced hours, further adding pressure to the local economy.

Regardless of the platform, opinions are many, fear is present, and most are just plain angry. The anger is seemingly easy to understand, most just do not appreciate a municipal level only wage mandate. The competitive disadvantage for our member businesses and other Long Beach businesses by a Long Beach only wage increase, as opposed to a state or federal mandate, is a primary and significant concern. With our local economy perilously creeping along after the Great Recession, increasing costs for goods and services could result in a significant setback for many sectors. Many businesses have yet to fully recover from the economic difficulties of the last few years.

Unlike larger cities that are currently increasing wages, neighboring communities that more than likely will not impose a wage increase closely surrounds Long Beach. Consumers can and will easily seek goods and services in close by communities with lower prices. Money earned and/or typically spent in Long Beach will be taken outside our community where the dollars will go further. Sales tax revenue will go with it. This is harder to do in larger cities where most of the work force actually lives within their work environment. Belmont Shore, as an example, is closely bordered by other cities that have similar retail, dining, and service businesses. Other districts within the city are situated in similar proximity to retail, dining, and service alternatives in adjacent communities. The common argument of merely raising prices to offset labor increases is not supported when market alternatives are in such close proximity.

Another significant concern, recently brought to our attention at a general meeting of the BSBA by City Attorney, Charlie Parkin, is the need to create a local enforcement capability within the

Long Beach City government as existing State and Federal enforcement agencies will not enforce locally mandated wage laws. Given the potential complexity of a local wage mandate, with differing wage amounts, differing implementation schedules, and different requirements for different size or types of businesses – enforcement can be a very serious concern. We understand the City of San Francisco’s enforcement department may have as many as 140 employees. Growing government with an unnecessary new enforcement department in a time of reduced revenue and budget deficits is not fiscally or economically responsible. Supporting and lobbying for a State or Federal minimum wage increase, instead of enacting a local mandate, would allow existing State and federal enforcement agencies to continue without the need for local enforcement or additional general fund expenses.

We understand the current LA EDC study intends to investigate mitigating measures to assist local businesses with the negative and potentially devastating financial effects of the proposed minimum wage increase. While we appreciate the Council’s efforts to protect small businesses, the only reason such measures would be necessary are to counter the competitive disadvantage created by a Long Beach only wage increase. Further, we are very concerned these mitigating measures will not go far enough and will be a significant and unnecessary financial burden on the City. In addition to reduced revenue from sales taxes lost to other communities or closed businesses, any and all mitigating measures offered by the City will be general fund expenses – further exacerbating the City’s already difficult and worsening economic situation. Again, we believe, a better alternative would be to support and lobby for changes to State or Federal minimum wages, so such mitigating measures are not necessary. As I’m sure you are aware, there are currently efforts to increase the State and Federal minimum wage in both Sacramento and Washington, respectively.

Last, there are several different business sectors that require even further analysis in the direction of possible “carve outs” to a blanket wage increase. Among those sectors are non-profits, skilled and unskilled health services, and hospitality, where traditionally, wages are augmented (often significantly) by tips or gratuities. Given the large number of restaurants and service businesses in Belmont Shore, these “carve outs” are of particular concern to many of our member businesses. A “carve out” or exclusion for businesses with tipped employees must be included, or the restaurant scene in Belmont Shore will change dramatically.

By in large, our membership of independent small business owners are middle class or middle income earners, not Fortune 500 corporations, and they can ill afford a mandated wealth transfer to employees. Our intention as an organization representing a large number of businesses and hundred’s of employees is to engage you in a dialogue wherein we present you with our point of view. Preserving the delicate economic balance in Long Beach is a priority for us all.

Respectably,

*Mike Sheldrake*

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