

April 10, 2019

Ellen Spiegel, Chair and Members of the Assembly Committee on Commerce and Labor
Nevada State Legislature
Carson City, NV

Re: AB456

Good afternoon, Chair Spiegel and Committee Members.

For the record, I am Mac Potter here today representing Nevada Casino Holdings, our Las Vegas Wendy's Restaurants group, and our 1,100 Nevada employees to speak in opposition to AB456 as it is currently written.

As this bill relates to our rural Northern Nevada casinos:

We have faced tip credit (minimum wage) increases before. *The last time tip credit minimums increased, the impact to our gaming company was close to \$300,000. We were barely making a profit having just pulled the company out of another operator's bankruptcy. When we got news of the minimum wage increase, we asked ourselves, how can we increase the price of a slot machine, or a game of cards, or a comped drink? Fortunately, we discovered that we could automate our casino surveillance systems and tie all our properties together. This allowed us to reduce staffing by some fifteen co-workers, thus saving enough money to afford the cost of raises for our remaining employees including those in the tipped positions who were already making more than their departing co-workers.*

As the bill relates to our Las Vegas Wendy's restaurants:

We incur about 26,000 labor hours per year per Wendy's store. An hourly wage increase of 1 dollar equals \$26,000 in reduced profit plus the cost of overtime, plus 10 percent in royalties and national advertising, plus the cost of credit card fees, and rent. To cover \$25,000 in labor cost, for the same hours worked, for the same profit, we would have to increase revenues by about \$45k. Taking that cost increase, plus the increases in medical costs, energy costs, property taxes, interest rate increases, year after year will cause ongoing increased menu prices that will put our restaurants a competitive disadvantage and force folks to choose lower-priced alternatives or simply eat out less often. The increases are forcing automation, and that will do nothing but cause more jobs to be lost to the folks that are trying to build job skills. It forced us to automate in our casinos, and it will force automation in the restaurant industry.

Wendy's in installing kiosks, and automated grills. When these machines are perfected and implemented, they will save about 200 labor hours per week. There go 5 jobs per store, 130

jobs lost to automation due to increased wage costs. Where does it stop? At some point either prices will increase to the point that restaurants will have to close, or the level of automation in the restaurants will result in the number of jobs at each location being cut significantly.

We don't want to have to replace more people with machines. We don't want to sit with our senior management and lament the fact that we had to let good folks go. We were forced by an outside economic condition that was forced on us to take money from one group and give it to another. These decisions are not just altruistic acts: they have consequences. Somebody has to pay for every dollar spent on increased costs.

In closing, I would offer the following observations for the Committee's consideration:

- ✓ Casinos and the restaurant industry in Las Vegas are very different from their counterparts in rural Nevada. Moreover, even within distinct markets like Elko, Winnemucca, Ely and Hawthorne there are significant differences in business models and levels of retail volume.
- ✓ AB456 would dramatically change the way restaurants and bars in these diverse markets do business with a "one-size-fits-all" approach. Differences in volume, job duties, and skill sets must be taken into account to be fair and effective.
- ✓ Under the present model, tipped employees in full service, high-volume locations have significant earning potential (currently between \$19-25 per hour nationally). We oppose any legislation that could harm this time-tested business model and reduce earning potential for tipped employees. The proposed legislation should take this into account and recognize the likely impact of increases in costs of employment.
- ✓ Wages and job benefits have always been parts of a process between employers and their employees that reflects local markets and individual businesses. That shouldn't change.
- ✓ There is a better way to reach true consensus—bringing all parties in the employer/employee relationship together in maintaining balance in that relationship.

Thank you.

Respectfully,

Mac Potter, C.O.O.
Nevada Casino Holdings, LLC
mpotter@northernstarcasino.com
(775) 530-1583 mobile