

TEXT OF THE PROPOSED MEASURE:

The People of the City of Los Angeles do ordain as follows:

**Section 1. Purpose**

1. As a steward of the public interest, the City has a responsibility to use governmental resources in ways that safeguard the health and welfare of Angelenos.
2. Growing income inequality—and the housing and homelessness crisis to which it contributes—is among the most pressing issues facing Los Angeles. The City should engage in transparent, democratic decision-making processes before extending benefits to employers that exacerbate inequality through inequitable pay practices.
3. When workers are underpaid, it not only harms affected workers and families but also undermines their ability to patronize local businesses or live in the City, depleting the City of its character and economic activity. The City and its residents have an interest in promoting an employment environment that keeps Los Angeles affordable for workers and helps local businesses thrive.
4. This Ordinance is intended to help reduce income inequality and further democratic control of public resources by mandating that voters approve all contracts for the use of City property by large contractors whose highest paid managerial employee earns at least 100 times the median compensation of its Los Angeles-based employees.

**Section 2. Voter Approval for Contracting with Businesses Exacerbating Wealth Inequality**

Article 10 of Chapter 2 of the Los Angeles Municipal Code, consisting of sections 30.01 through 30.03, is added to read as follows:

**SEC. 30.01. Definitions**

Unless otherwise defined in this Article, the terms used in this Article shall have the meanings given to them in Article 1 of Chapter 2 of the Los Angeles Municipal Code, as amended from time to time. For purposes of this Article, the following definitions apply.

“Covered City Contractor” means any City Contractor employing at least 100 employees nationwide including employees of any of the contractor’s subsidiaries, business units, or entities it owns or controls.

“Covered Amendment” means an amendment to a contract providing for the use of City-owned real property by a Covered City Contractor that relates to the price or other financial terms of the contract or the duration, extent, or type of use of City property.

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“City Contractor” means any person engaged in business in the City who seeks to enter or is a party to a contract, including but not limited to a franchise, concession, permit, licensing agreement, or lease, with any contracting agency or department of the City.

“Compensation” means wages, salaries, commissions, bonuses, property issued or transferred in exchange for the performance of services (including but not limited to stock options), compensation for services to owners of pass-through entities, and any other form of remuneration paid to employees for services.

“Highest-Paid Managerial Employee” means the individual employee or officer of a City Contractor with managerial responsibility in a business function who received the most Compensation for a tax year.

“Executive Pay Ratio” means the ratio of the annual Compensation paid to a City Contractor’s Highest-Paid Managerial Employee for a tax year to the median Compensation paid to the contractor’s full-time or part-time employees based in the City for that tax year, determined on a full-time equivalency and annualized basis. For purposes of this definition:

- a) An employee is based in the City for a tax year if the employee’s total working hours in the City for the City Contractor during the tax year exceeds the employee’s total working hours in any other local jurisdiction for the contractor during the tax year.
- b) Compensation paid to a part-time employee for the tax year shall be converted to a “full-time equivalency” by multiplying the part-time employee’s Compensation for the tax year by 40 and dividing the result by the average number of hours the part-time employee worked per week during the tax year for the City Contractor.
- c) Compensation paid to an employee for only a portion of the tax year shall be “annualized” by multiplying the employee’s Compensation (or, as stated, for a part-time employee, full-time equivalent Compensation) for the tax year by 52, and dividing the result by the number of weeks that the employee was employed by that City Contractor during the tax year.
- d) The median Compensation shall be calculated using the employee population, statistical sampling, and/or other reasonable methods.

### **SEC. 30.02. Disclosures**

Every Covered City Contractor that seeks to enter into a contract for the use of City real property or a Covered Amendment shall disclose to the contracting agency or department of the City, using a form determined by the Director of Finance, at the time of seeking the City contract or Covered Amendment:

- A. The median Compensation paid to its full-time or part-time employees based in the City for the tax year, determined on a full-time equivalency and annualized basis.

- B. The annual Compensation paid to its Highest-Paid Managerial Employee for the tax year.
- C. The Executive Pay Ratio.

Disclosure shall cover the most recent tax year at the time of disclosure.

### **SEC. 30.03. Eligible City Contractors; Voter Approval**

- A. Except as provided for in subpart B of this section, no contracting agency of the City, or any department thereof, acting for or on behalf of the City, shall execute any contract providing for the use of City-owned real property, or any Covered Amendment, with a Covered City Contractor unless the contracting agency or department makes a finding of fact that the evidence presented shows that both of the following conditions exist.
  - a. The Covered City Contractor has disclosed its Executive Pay Ratio pursuant to Section 30.02.
  - b. The Executive Pay Ratio is less than or equal to 100:1.
- B. If condition (b) of subpart A of this section is not met, the contracting agency of the City, or department thereof, acting for or on behalf of the City, may execute a contract providing for the use of City-owned property, or a Covered Amendment, with the Covered City Contractor only after approval of the contract or Covered Amendment by a majority of the voters of the City voting “YES” on a ballot measure asking whether the contract or Covered Amendment should be approved.
  - a. The vote of the electorate must occur at either a regular or special municipal election.
  - b. The sample ballot materials mailed to the registered voters of the City of Los Angeles prior to an election shall describe the contract or Covered Amendment in a manner that clearly discloses both the scope and main features of the contract or Covered Amendment, and the Covered City Contractor’s Executive Pay Ratio.
  - c. The vote of the electorate shall be set for a regular municipal election; or, by mutual agreement with the Covered City Contractor, the City Council may call a special municipal election, with the cost of the special election borne solely by the Covered City Contractor.
  - d. The contract shall not be executed by any contracting agency or department of the City until the contract is approved by the vote of the electorate described herein.

### **Section 3. Amendments**

The provisions of this Ordinance may not be amended or repealed without approval by the voters of the City of Los Angeles, provided that nothing herein shall preclude the City, including City Council, from taking actions that further the purpose of this Ordinance. The Director of Finance may make and enforce any necessary rules and regulations for the purpose of implementing Section 30.02 of this Ordinance. City contracting agencies, or departments thereof, may make and enforce any necessary rules or, where authorized, regulations for the purpose of implementing Section 30.03 of this Ordinance with respect to those agencies' or departments' contracts.

#### **Section 4. Severability**

If any section, subdivision, clause, sentence, phrase or word of this Ordinance is declared invalid by a court of competent jurisdiction, such a decision shall not affect the validity of the remaining portions of this Ordinance. The voters of the City of Los Angeles hereby declare that they would have passed and adopted all sections, subdivisions, clauses, sentences, phrases and words of this Ordinance without the section, subdivision, clause, sentence, phrase or word declared invalid by a court of competent jurisdiction.

#### **Section 5. Construction**

This Ordinance shall be liberally construed to effectuate its purposes.

#### **Section 6. Effective and Operative Dates**

This Ordinance shall become effective upon declaration of the official vote count by the City Clerk and shall become operative on January 1, 2026.