

**CITY OF LOS ANGELES**  
INTERDEPARTMENTAL CORRESPONDENCE

Date: March 5, 2025

To: Honorable Members of the City Council  
c/o Office of the City Clerk

From: JOHN L. REAMER, JR., Director  
Bureau of Contract Administration



MICHAEL J. DUNDAS, Senior Assistant City Attorney  
Office of the City Attorney



Subject: BUREAU OF CONTRACT ADMINISTRATION AND OFFICE OF CITY ATTORNEY – REPORT ON RESOURCES FOR CITYWIDE HOTEL WORKER MINIMUM WAGE ORDINANCE IMPLEMENTATION (CF-14-1371-S13)

On December 11, 2024, the City Council instructed the Bureau of Contract Administration (Bureau) to report on the personnel and budgetary resources required to enforce the Living Wage Ordinance (LWO) and Citywide Hotel Worker Minimum Wage Ordinance (CHMWO). The recommendations in this report are based on the Bureau's experience implementing the City's Minimum Wage Ordinance and other wage enforcement programs, along with careful consideration of the requirements of the new program and an evaluation of other municipalities' workload. Although a larger number was determined to be needed, the Bureau is proposing a minimal critical staffing level of request of five (5) positions to launch and implement the new and expanded responsibilities of the CHMWO including the investigation and enforcement of the new hotel minimum wage, review of financial hardship waiver, and implementation of a new Hotel Public Housekeeping Training Program. The Bureau requests the opportunity to request additional resources in the future as the workload requires. The Bureau does not believe that the impact of the City Council's proposed changes to the LWO will require additional resources at this time.

Also, in order to mitigate staff turnover and impact on wage enforcement response, the Bureau is also recommending consideration of a salary note that would help attract and retain staff in these very specialized roles in the Office of Wage Standards and Office of Contract Compliance.

### **RECOMMENDATIONS**

That the City Council, subject to approval of the Mayor:

1. AUTHORIZE employment by resolution authority, the following 5 positions within the Bureau of Contract Administration for implementation of the updates to the Citywide Hotel Worker Minimum Wage Ordinance:

No.	Class Code	Class Title
-----	------------	-------------

1	9165-1	Compliance Program Manager I
1	1779	Data Analyst
3	9184	Management Analyst

2. AUTHORIZE employment by resolution authority, the following 2 positions within the Office of the City Attorney for implementation of the updates to the Citywide Hotel Worker Minimum Wage Ordinance:

1	0598	Assistant City Attorney
1	0597-4	Deputy City Attorney IV

3. DIRECT the City Administrative Officer to report to the Executive Employee Relations Committee on salary note options, such as additional compensation of two premium levels, that would help attract and retain specialized staff in the Bureau of Contract Administration's Office of Wage Standards and Office of Contract Compliance who perform compliance or investigative work.
4. APPROVE an exemption to the Prioritized Critical Hiring process for the Bureau of Contract Administration to hire As-Needed Hearing Officers within budgeted funds for any hotel related appeals of denied financial hardship waivers.

## **BACKGROUND - CITYWIDE HOTEL WORKER MINIMUM WAGE ORDINANCE**

The Citywide Hotel Worker Minimum Wage Ordinance (CHWMWO) was initially passed in 2014 and in its current form requires an hourly minimum wage rate with enforcement available only through a private right of action in the court system. In other words, the City does not currently provide any enforcement services. Accordingly, the Office of Wage Standard's (OWS) responsibilities have been limited to calculating the annual wage increase and providing legal workplace notices and other informational materials. However, the City Council has taken action on expanding the scope of the CHWMWO in a way that dramatically increases the protections for workers and, as a result, the workload responsibilities placed on the OWS. These expansions include several new requirements for employers regarding wages, health care, time off, and employee training, and of particular significance, responsibility for enforcement will now be assigned to the OWS rather than the judicial system.

In summary, the new workload for OWS includes the imminent implementation of

- An increase in the hotel worker minimum wage rate from \$20.32 to \$22.50
- A health benefit payment in the amount of \$8.35 per hour
- Development and implementation of a Hotel Public Housekeeping Training Program
- Creation and evaluation of financial hardship waivers for hotels seeking exemption from the new requirements. This responsibility currently rests with the Office of the Controller but the recent Council action will move it to the Bureau.
- Intake, investigation, and enforcement of complaints alleging violations of this Ordinance. Previously, enforcement was performed through the court system.

The OWS has not had any resources allocated to support this Ordinance. Given the dramatic expansion of workload and the accelerated timetable for implementation of the new requirements, the OWS will require additional resources as soon as possible to perform this work and begin launching and enforcing the updated CHWMWO program.

## **BACKGROUND - LIVING WAGE ORDINANCE**

The Bureau's Office of Contract Compliance is responsible for the investigation and enforcement of the City's LWO which includes the higher rates for employees working at the airport. The Bureau has an existing Memorandum of Understanding with the Los Angeles World Airports (LAWA) for investigation and enforcement of LWO issues and complaints from employees at the airports. The City Council has taken action on increasing the wage rate for airport employees, but the Bureau believes this workload can be absorbed by existing staff. The update to the LWO will also include a hardship waiver for concessionaires of 50 staff or less. In discussion with LAWA, it was determined that there is only a small number that meet this definition. Therefore, the Bureau does not believe it will need additional resources to implement the City Council's changes to the LWO but will report back if significant additional workload materializes that cannot be absorbed.

## **BCA REQUESTED POSITIONS**

To assess the required resources to implement the program, the Bureau analyzed the expected workload based on its experience with similar wage enforcement programs and evaluated the workload generated by the City of Seattle's hotel worker labor standards laws. The Bureau has determined that at least 11 positions are needed to effectively perform the additional workload outlined in the City Council's desired expansion of the CHWMWO. However, in consideration of the City's current financial constraints and with the understanding that the investigation workload may take up to six months to materialize, the Bureau is proposing the addition of an initial group of five (5) positions as the necessary minimum to launch the tasks associated with the hotel minimum wage increase, the financial hardship waiver process, and the Hotel Public Housekeeping Training Program.

To minimize the impact of the immediate staffing shortage, the Bureau will also temporarily repurpose some existing staff resources to help launch the program, most notably in the critical areas of outreach, financial hardship waiver reviews, and policy development such as drafting Rules and Regulations. While these reassignments will delay existing minimum wage workload, they will help the Bureau meet the time sensitive needs of launching the program and providing financial hardship waiver reviews.

Specifically, the Bureau requests funding and resolution authority for five (5) positions including

- One (1) Compliance Program Manager I
- One (1) Data Analyst I
- Three (3) Management Analysts

These five positions will provide a critical level of support to develop the tools that employers and hotel workers will rely on leading up to the implementation of these new requirements in July. Some of the key areas of focus during the program implementation period will include

- Policy and procedural decisions forming the framework of Rules and Regulations, FAQs, and implementation guidance
- Promptly responding to inquiries and requests for Ordinance interpretation by hotel employers, workers, and other stakeholders
- Developing, translating, and disseminating informational materials including the legal workplace notices
- Establishing the parameters of a new Hotel Public Housekeeping Training Program and administering a Request for Proposals (RFP) to identify an approved training provider. Staff will oversee the agreement and create a database to monitor training completion by over 10,000 impacted hotel workers at over 150 covered hotels. Existing OWS Outreach staff will be able to assist with this process but not absorb the entirety of the new workload because of the high volume and recurring nature of this work.
- Developing a financial hardship waiver application process for hotels seeking an exemption from the requirements. While the OWS does not know how many hotels will apply for this waiver, the industry has expressed a high level of interest in the concept. Even with this minimal staffing level of five positions, the OWS anticipates a processing time of 90 to 180 days for the financial hardship waivers, which includes the wait time for hotels to respond to requested documents and information. Having the staff to maintain responsiveness to waiver applications is critical because hotels must comply with all requirements while their waiver application is reviewed, which could put great stress on a hotel under financial pressure. The most vulnerable hotels will likely be seeking their waiver to be reviewed and approved before the wage rate goes into effect July 1, 2025, which will put an immediate workload strain on the OWS that it cannot meet without additional positions. The OWS is also required to provide an appeal hearing option to applicants which requires as needed Hearing Officer positions.
- Creating guidelines that define acceptable compliance with the new hourly health benefit payment requirement in advance of the July 1, 2025 effective date. A requirement of this nature will be new for the OWS and require research and evaluation.

Following the implementation period, the OWS will be responsible for intaking, investigating, and enforcing complaints alleging violations of the Ordinance. This responsibility, ultimately, will generate the largest area of workload for the Division. The enforcement and investigative work include performing site visits, conducting interviews, analyzing payroll and timekeeping records, preparing administrative citation notices, and resolving cases through settlement negotiations and appeal hearings. The hotel industry workforces are large, so the amount of data and interviews will be immense.

It's also important to note the unique challenges of enforcing a labor standard within a specialized and well-resourced industry. OWS' experience in its interactions with hotel employers has typically been with attorneys representing hotel clients, which is different from typical minimum wage investigations. As a result, the OWS anticipates that investigations of hotel employers may require additional correspondence and time as requests for information by

the OWS are received first by hotel employers' attorneys and then relayed to their clients. In addition, the OWS may need to pursue the lengthy subpoena process to obtain compliance with record sharing requirements. The complex and litigious nature of these investigations underscore the need for additional, dedicated resources to perform this work, including resources from the City Attorney's Office, which are further detailed below.

### **SALARY NOTE FOR SPECIALIZED NATURE OF INVESTIGATION WORK**

The Office of Wage Standards performs specialized work that requires lengthy training and working in an unpredictable and sometimes contentious environment when interacting with businesses who may be violating the law at the risk of significant financial penalties. The State and County have also faced high vacancy rates and retention challenges for their investigators and have noted the challenging, contentious nature of the work.

The OWS' retention challenges have also been amplified by the variety of different career ladders available to its staff. For example, an entry level Management Assistant hired by the Office of Wage Standards will, after six months, be eligible to take exams for Management Analyst, Personnel Analyst, Administrative Analyst, Utility Buyer, and others. As a result, the OWS has experienced high turnover rates since its inception as staff pursue other classifications that open up faster promotional opportunities, as well as experience that is more general in nature. This includes experience in budget or contracts that many analysts are seeking.

For example, after a successful round of hiring, the OWS enjoyed a fairly healthy staffing level for its minimum wage related positions in 2020 with 16 of 20 enforcement positions and 6 of 9 outreach positions filled. During the next couple of years, the OWS was hit hard by attrition as staff departed for proprietary departments and other generalist classifications. By fall of 2022, staffing levels in the enforcement positions dropped to 10 filled positions out of 20 positions, and the outreach positions dropped to 4 filled positions out of 9 - a vacancy rate of over 50%. During this time, a significant backlog of cases accumulated, and the processing time grew well beyond the goal of 365 days. In late 2023 and early 2024 the cycle reversed when the Bureau was authorized to hire aggressively and the OWS filled all 18 of its enforcement related positions and 7 of 9 outreach positions. However, at that point the OWS had only a couple of investigators with more than 1 year of experience, which made training the new staff more difficult as the experienced staff had to put some cases on hold to perform the training. During 2024, the OWS lost three enforcement staff to proprietary departments that were exempt from the current managed hiring process, and 1 to retirement.

The impact of turnover in these specialized positions cannot be understated given the learning curve required to perform the work. A typical investigator takes about a year of training to be able to begin to independently conduct an investigation. Given the high impact of turnover and the complexity and novelty of the expanded CHWMWO requirements, it's essential that the Bureau be able to recruit and retain staff.

The Bureau therefore requests to implement a bonus similar to those used to attract and retain specialized staff in other roles at various City departments. The Bureau proposes the addition of a salary note that would authorize staff who are regularly assigned to work for the Office of

Wage Standards or Office of Contract Compliance to receive additional, regularly assigned compensation in the amount of two premium levels (5.5%) above the person's hourly base rate of pay in addition to any other premium level compensation.

### **AS NEEDED HEARING OFFICER POSITIONS**

The proposed CHWMWO requires the OWS to provide employers with an appeal hearing if they wish to contest the OWS' findings following an investigation or the denial of a financial hardship waiver application. To provide this service, when necessary, the Bureau successfully obtained authority to utilize the Hearing Officer classification on an as-needed basis. However, due to the unpredictable nature of an as needed hearing, the Bureau does not currently have any positions filled. In fact, due to the current managed hiring restrictions, the Bureau has had to rely on the assistance of the Department of Cannabis Regulation to temporarily utilize one of their Hearing Officer staff to provide a hearing that was recently requested. With the expectation that the Bureau will receive numerous financial waiver applications in the immediate future, it is essential that the Bureau be able to hire as needed Hearing Officers when appeal hearings are requested. Therefore, the Bureau requests an exemption for hiring these positions as needed. The financial impact is expected to be minimal, as these hearings have a short duration.

### **COMPARISON WITH OTHER MUNICIPALITIES**

In consideration of this staffing request, the OWS performed a review of peer cities to help estimate the potential workload. The closest comparison available was the City of Seattle's Office of Labor Standards, which provides outreach, compliance assistance and enforcement for its hotel worker labor standard laws. Two years of related performance metrics data shows their office received 8,534 hotel worker related inquiries, conducted technical assistance 11,185 times, received 203 hotel minimum wage complaints and performed seven (7) hotel investigations. Given that the population of Seattle is roughly one-fifth of Los Angeles' population, the OWS can expect a much more sizable workload.

### **CITY ATTORNEY STAFFING NEEDS**

The Workers' Rights Division currently has six (6) attorneys. Four attorneys are tasked with assisting OWS in investigations concerning the Fair Work Week Ordinance and the Minimum Wage Ordinance and two attorneys are tasked with assisting Office of Contract Compliance (OCC) in investigations involving the Living Wage Ordinance and Prevailing Wage laws.

As OWS and OCC continue to expand their respective workloads, including enforcement of the Hotel Worker Minimum Wage Ordinance, the Workers' Rights Division will need to provide a corresponding increase in the level of legal support through the retention of additional attorneys. OWS is currently complaint-driven, as its investigations commence after being contacted by an individual employee. If the Council directs OWS to enforce the Hotel Worker Minimum Wage Ordinance, this will result in a significant uptick in the volume of investigations, which will require additional legal support from the Workers' Rights Division. While we cannot accurately project what we will need in the way of enforcement of the Hotel Worker Minimum Wage Ordinance, we believe that, at a minimum, our Workers' Rights Division would need at least one

Assistant City Attorney (ACA) position and a DCA IV position. The hotel industry has proven to be litigious and during investigations will have legal representation. The Workers' Rights Division will need to work closely with the OWS investigators to effectuate proper enforcement of the labor standards in the ordinance.

Considering and appreciating the current budget limitations, these two positions are the minimum necessary positions to effectively lead the attorneys with the current workload and in supporting the increasing wage theft investigations throughout the City.

## **CONCLUSION**

Based on the Bureau's experience implementing the City's minimum wage program, along with careful consideration of the requirements of the new program and an evaluation of Seattle's workload, the Bureau has determined that at least 11 positions are needed to effectively perform this additional workload. However, the Bureau is proposing a conservative request of the aforementioned five (5) positions as the necessary minimum to perform the most imminent tasks related to launching the new requirements. The Bureau requests the opportunity to request additional resources in the future as the workload requires.

The Office of the City Attorney is requesting two positions as outlined above.

The Bureau and the Office of the City Attorney looks forward to your review of this report and further discussion on the implementation of the CHWMWO.