

COMMUNICATION FROM CHAIR AND MEMBER, ECONOMIC DEVELOPMENT COMMITTEE relative to an implementation plan and resource requirements for an Office of Wage Standards to implement the new Citywide Minimum Wage Ordinance.

Recommendations for Council action:

1. INSTRUCT the Bureau of Contract Administration (BCA) and City Administrative Officer (CAO) and REQUEST, as appropriate, the City Attorney to continue to work together to assess the resource requirements of the Office of Wage Standards for implementation of the Citywide Minimum Wage.
2. CONCUR with the BCA's proposal to implement the Citywide Minimum Wage Ordinance through a thoughtful, incremental approach that will respond to workload as it materializes, and through the use of City staff, contractors, community-based organizations and existing mailing processes of all City departments to conduct outreach.
3. CHANGE the change in name of the Wage Enforcement Division to the Office of Wage Standards.
4. INSTRUCT the BCA to consult with relevant stakeholders regarding the implementation process.
5. NOTE and FILE the June 19, 2015 and October 13, 2015 BCA reports as no resources are required this year and future year resources will be discussed during the annual budget process.
6. REQUEST the City Attorney to prepare and present an Ordinance to amend the Minimum Wage Ordinance (Ordinance No. 183612) as follows:
 - a. Add a definition of wage that clarifies that wages are defined by State Labor Code and include piece rates, commissions, etc.
 - b. Change the announcement date of the annual increase to February 1 to allow the increase to be based on the Consumer Price Index for the full previous calendar year.
 - c. Remove the term Learners to avoid confusion with the state definition which includes a broader age range; deleting this term will effectuate the City Council's intent, which was to allow 14-17 year-old Employees to receive not less than 85 percent of the minimum wage rounded to the nearest nickel during their first 160 hours of employment.
 - d. Add an exemption for employees holding transitional jobs, as directed by the City Council.
 - e. Clarify that the size of a new business will be determined by the business' first pay period.

- f. Clarify that for the first five years, while the deferred wage rate schedule for small businesses is in effect, a business will remain on one schedule for the duration of the five-year period.
 - g. Clarify that if a non-profit organization (that was previously approved as qualifying for the deferred wage rate) loses its non-profit status, it must comply with the appropriate wage schedule as determined by its size.
7. REQUEST the City Attorney to prepare and present an Ordinance to amend the Wage Enforcement Division Ordinance (Ordinance No. 183613) as follows:
- a. Change the name of the Wage Enforcement Division to the Office of Wage Standards.
 - b. Add language that requires Employers to notify existing employees of the minimum wage to ensure that all employees are informed.
 - c. Clarify that the City shall have access to all business sites and may interview any relevant witnesses.
 - d. Change Notice of Determination to Notice of Correction.
 - e. Change procedures for service of a Notice of Correction to personal service or registered mail so that the City can document that an Employer received the notice.
 - f. Add language that establishes a mechanism for settlement discussions that will enable issues to be resolved more expediently and before a formal hearing process.
 - g. Change the penalty due to an Employee from \$100 for each day to up to \$120 for each day and establish criteria including the extent of harm caused by the violation, the nature and persistence of the violation, the length of time over which the violation occurs, the frequency of past violations, actions taken to mitigate the violation, and the financial burden to the violator.
 - h. Remove interest an Employer must pay on unpaid wages and penalties. This will remove a time consuming administrative aspect that will delay collection.
 - i. Add a penalty of up to \$50 per day that is payable from an Employer to the City when wages have been withheld from an Employee.
8. REQUEST the City Attorney to add language, where applicable in the above two Ordinances, to enable the City Attorney to assist employees in collecting unpaid wages by filing civil actions on their behalf.
9. AUTHORIZE the City Attorney to clean up the language to effectuate the amendments.

Fiscal Impact Statement: The CAO reports that there is no fiscal impact stemming from the recommendations contained in the February 29, 2016 CAO report, attached to the Council file.

Community Impact Statement: None submitted.

(Also referred to the Entertainment and Facilities, Personnel and Animal Welfare and Budget and Finance Committees)

Summary:

On April 19, 2016, the Chair and one member of the Economic Development Committee considered considered June 19, 2015, October 13, 2015, and April 14, 2016 BCA and a February 29, 2016 CAO reports relative to the implementation plan and resource requirements for an Office of Labor Standards to implement the new Citywide Minimum Wage Ordinance. According to the BCA, pursuant to the City's Minimum Wage Ordinance (Ordinance No. 183612) and Wage Enforcement Division Ordinance (Ordinance No. 183613), it has begun to establish the administrative infrastructure and prepare for implementation of the Los Angeles minimum wage on July 1, 2016. In doing so, the BCA has gained additional valuable insight into the actions and resources required to effectively implement the program.

In their initial June 19, 2015 report, the BCA made a number of recommendations as part of their implementation plan that were subsequently modified in their October 13, 2015 report. First, in the area of staffing, the BCA's original implementation plan included a request for 29 positions phased-in over four fiscal years. Based on anticipated workload as indicated by community-based organizations who are already preparing claims for filing on July 1, 2016, some of the positions will be needed sooner than originally anticipated.

The BCA's budget request for Fiscal Year (FY) 2016-17 includes 22 total positions, including five positions already authorized and funded for FY 2015-16, ten additional positions included in the original implementation plan for FY 2016-17, and seven additional positions that appeared in the original implementation plan as scheduled for FY 2017-2018. The seven additional positions will accelerate the full staffing regimen to over three, and not four, years. Therefore we will request seven positions in FY 2017-18 to achieve the 29 positions.

The BCA is making three changes to its original staffing plan for the current fiscal year. First, the BCA requests to substitute the authorized Contract Compliance Program Manager I position with a Senior Management Analyst II position. This change will eliminate the time and resources required for the Personnel Department to conduct an exam, will enable the BCA to fill this position sooner, and will ensure that the division's manager position is not a lower class than the minimum wage hearing officer. Secondly, the BCA is requesting the authorization to use two exempt positions to obtain specialized services from subject matter experts in the area of labor law. The BCA would utilize two authorized positions to achieve this request. Finally, the BCA noted that it will also be delaying its request for a Senior Systems Analyst I position from the current fiscal year until FY 2016-2017. In the interim, the BCA will utilize existing staff to design and add content to its website.

The BCA and provided further information in regard to outreach efforts and partnering with other City Departments to provide information by mail to businesses that will be affected by the new Ordinances. After consideration and having provided an opportunity for public comment, the Committee moved to continue this matter pending a report by the CAO.

After further consideration and having provided an opportunity for public comment, the Committee Chair moved to concur with the April 4, 2016 action of the Budget and Finance Committee and detailed above in Recommendation No. 1 through 5. Also, the Committee Chair recommend approval of the recommendations as detailed in the April 14, 2016 BCA report and additional verbal amendments proposed by the BCA which are detailed above in Recommendation Nos. 6-9. This matter is now submitted to Council for its consideration.

Respectfully Submitted,



Councilmember Curren D. Price, Jr., Chair
ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PRICE:	YES
CEDILLO:	YES
HARRIS-DAWSON:	ABSENT
KREKORIAN:	ABSENT
MARTINEZ:	ABSENT

ARL
4/19/16

-NOT OFFICIAL UNTIL COUNCIL ACTS-