

ORDINANCE NO. 180877

An ordinance amending Sections 10.37.1, 10.37.2, 10.37.3 and adding a new subsection (d) to Section 10.37.11 of the Los Angeles Administrative Code to provide certain covered airport workers with an increased health benefit payment and to additionally index such health benefit payment to correspond to changes in the Consumer Price Index and require a periodic review of the health benefit payment.

**THE PEOPLE OF THE CITY OF LOS ANGELES
DO ORDAIN AS FOLLOWS:**

Section 1. Legislative Findings. In 1997, Los Angeles became one of the first cities in the nation and the first in California to pass a living wage ordinance (“LWO”) requiring certain City contractors, financial assistance recipients, lessees, exclusive and non-exclusive licensees, and other persons and entities doing business with the City to pay employees a living wage. As of July 1, 2009, the LWO requires covered employers to pay a wage of \$10.30 per hour with health benefits and \$11.55 per hour without health benefits.

While the wage portion of the LWO is indexed to the Consumer Price Index (CPI) and, as a result, has risen from \$7.25 per hour to \$10.30 per hour as of July 1, 2009, the health benefit payment is not similarly indexed to the CPI and so has remained at \$1.25 per hour since the LWO was adopted in 1997. Additionally, the health benefit payment has not been periodically reviewed to ensure that the payment accurately reflects the actual cost of health care. Studies, including a study performed by Mercer Human Resource Consulting at the request of the Office of Administrative and Research Services, show that a payment of \$1.25 per hour is clearly insufficient to cover the actual cost of health care. As a result of the health benefit payment being so low compared to the actual cost of coverage, employees either have no access to an employer-provided health plan or must pay large out-of-pocket costs in order to access such a health plan for themselves and their family members.

Studies, including the study performed by Mercer Human Resource Consulting, show that high employee cost share relative to available income can curtail access to medical care providers, the purchase of medication, and the pursuit of follow-up treatment. The lack of health benefits among employees is particularly significant at the City’s airports, where, for instance, as many as 2,600 workers covered by the LWO and their family members lack health benefits or rely on public health insurance. A 2009 LAANE study attributes high turnover rates among airline service workers who have key operational duties such as security and assisting passengers with disabilities to a lack of health benefits, and various studies and polls, including the LAANE study, have shown that providing family health insurance coverage increases the ability of employers to retain workers.

The LWO recognizes that the City holds a proprietary interest and genuine stake in the work performed by employees employed by lessees and licensees of City

property and by their service contractors and subcontractors, and by a 1998 amendment, recognized the prominence of this interest at facilities visited by the public on a frequent basis, including the City's airports.

The City through the Department of Airports has embarked upon a number of projects and initiatives to improve the passenger experience at LAX, including: (i) the adoption of a Service Standards Policy; (ii) an extensive capital improvement program that includes the renovation and upgrading of the Tom Bradley International Terminal; and (iii) a revamping of its concessions program. The retention of a qualified and stable workforce is vital to the success of these efforts.

Workers at the City's airports routinely interface with the traveling public and, therefore, are both particularly at risk of exposure to the H1N1 virus and other epidemics and pandemics and to exposing the traveling public to illnesses as well, thereby risking widespread and accelerated spreading of communicable illnesses worldwide. For instance, at LAX alone, some 51 million international and domestic passengers travel through its nine terminals, making LAX one of the busiest airports in the world.

In addition, the lack of health benefits among workers at City airports confers a heavy burden on taxpayers. Taxpayers spend an estimated \$3.9 million per year to cover the cost of the Medi-Cal and Healthy Families programs for LAX workers and their families. According to Families USA, eight people in California are estimated to die every day due to lack of health coverage, and uninsured children are six times more likely than insured children to have gone without needed medical or dental care, more likely to be hospitalized for preventable or treatable illnesses, and more likely to miss school.

Moreover, a 2005 study of families who filed for bankruptcy protection found that half cited medical causes, and a Harvard researcher studying home foreclosures in California and three other states found that medical bills contributed to twenty-three percent of all home foreclosure filings. Burdening working families with unmanageable medical expenses worsens and deepens the nation's economic crisis.

In order to address and correct the conditions enumerated above, this ordinance amends the LWO to increase the health benefit for workers at the City's airports covered by the LWO in order to promote the provision of health benefits to eligible airport workers and their families, and additionally provides for annual adjustments to and periodic reviews of the health benefit payment to airport workers to ensure that the amount accurately reflects the cost of health coverage.

Sec. 2. Subsections (a) through (l) of Section 10.37.1 of the Los Angeles Administrative Code are redesignated as Subsections (d) through (o), and three new Subsections, designated (a) through (c) are added to read as follows:

(a) **“Airport”** means the Department of Airports and each of the airports which it operates.

(b) **“Airport Employer”** means an Employer, as the term is defined in this section, at the Airport.

(c) **“Airport Employee”** means an Employee, as the term is defined in this section, of an Airport Employer.

Sec. 3. Subsection (a) of Section 10.37.2 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

(a) **Wages.** Employers shall pay Employees a wage of no less than the hourly rates set under the authority of this article. The initial rates were seven dollars and twenty-five cents (\$7.25) per hour with health benefits, as described in this article, or otherwise eight dollars and fifty cents (\$8.50) per hour without health benefits. With the annual adjustment effective July 1, 2009, together with all previous annual adjustments as provided by this subsection, such rates are ten dollars and thirty cents (\$10.30) per hour with health benefits or, if health benefits are not provided, then fourteen dollars and eighty cents (\$14.80) per hour for Airport Employees and eleven dollars and fifty-five cents (\$11.55) per hour for all other Employees. The hourly rate with health benefits to be paid to all Employees and the hourly rate without health benefits to be paid to Airport Employees shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly rates, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted rates, which shall take effect upon such publication.

Sec. 4. Section 10.37.3 is amended in its entirety to read as follows:

Sec. 10.37.3 Health Benefits.

(a) **Health Benefits.** The health benefits required by this article shall consist of the payment of at least four dollars and fifty cents (\$4.50) per hour by Airport Employers and at least one dollar and twenty-five cents (\$1.25) per hour by all other Employers towards the provision of health care benefits for Employees and their dependents. Proof of the provision of such benefits must be submitted to the awarding authority to qualify for the wage rate in Section 10.37(a) for Employees with health benefits. Airport Employees cannot waive the health benefits offered by an Airport Employer when the Airport Employer does not require an out-of-pocket contribution by the Airport Employee. Consistent with and as shall be reflected in the hourly rates payable to Airport Employees as provided in 10.37.2(a) above, the amount of payment for health benefits by Airport Employers shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City

Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly payments, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted payment, which shall take effect upon such publication.

(b) **Periodic Review.**

At least once every three years, the Office of Administrative and Research Services shall review the health benefit payment by Airport Employers set forth in 10.37.3(a) to determine whether the payment accurately reflects the cost of health care and to assess the impacts of the health benefit payment on Airport Employers and Airport Employees and shall transmit a report with its findings to the Council.

Sec. 5. A new Subsection (d) of Section 10.37.11 is added to read as follows:

(d) **2009 Amendment.** The provisions of this article as amended by the 2009 ordinance shall become operative ninety (90) days following the effective date of the 2009 ordinance.


Sec. 6. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles: one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of SEP 09 2009.

JUNE LAGMAY, City Clerk


By  Deputy

Approved _____

 SEP 15 2009
Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By 
THERESA A. STAMUS
Sr. Assistant City Attorney

Date September 9, 2009

File No. 07-2247