



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Councilmember Johnny Khamis

SUBJECT: CWA/PLA TASK FORCE
RECOMMENDATIONS

DATE: October 23, 2017

Approved

Johnny Khamis (Signature) (Initials)

Date

10/23/17

RECOMMENDATIONS

Accept public testimony and continue item to a date no earlier than the December 19th City Council meeting to allow adequate time for additional information to be presented by City Staff so that we may better understand the effects of a CWA/PLA policy on projects within San José:

1. Estimate the impact on qualified ethnic/minority/woman-owned (disadvantaged) small businesses which participate in our BidSync system from the implementation of a CWA/PLA policy.
2. For the 396 construction contracts awarded over the past five years identified in the Staff Memorandum, provide a chart of statistics on bids for all projects where bidding was required, to include:
 - a. Number of qualified bids received for each project;
 - b. Number of bids that exceeded Engineer's Estimates;
 - c. Dollar variance and percentage variance of awarded bid, positive or negative, from Engineer's Estimates;
 - d. Dollar variance and percentage variance of final actual project cost, positive or negative, from Engineer's Estimates included in bid award;
 - e. Type of contractor to which bid was awarded - union or merit contractor, and whether the contractor was a disadvantaged business;
 - f. For any merit contractor awarded bids, the total reduction in take-home pay for their employees that would have resulted were they to have had union dues deducted from their paychecks and the total cost of union benefit fund contributions that would have been required for the contractor.
3. For the pool of all projects identified in the six-month projection of City CIP projects:
 - a. Provide the dollar impact of a 15% cost increase on the cost of the project
 - b. Provide an assessment of project impact from a 15% cost increase on project costs (i.e. is the project scope reduced, e.g. miles of road paved reduced by 15%, or, if scope cannot be reduced, where additional monies would be sourced for project completion)
4. Commission a non-biased study of the economic impacts of implementing a CWA/PLA policy in the City of San José, based on an analysis of economic impacts of implementation of CWA/PLA where they have been in place for at least two years.

ANALYSIS

Before we vote on significant policy changes with serious implications for City projects, small ethnic/minority/woman-owned (disadvantaged) businesses, workers, and taxpayers, the City Council should have a thorough understanding of the issues at hand. We do not yet have enough information for a thorough understanding of this issue, so it is critical that we allow City staff adequate time to compile this information and assess the impacts that could arise from the proposed CWA/PLA policy. We also lack the data necessary to assess the effects of a CWA/PLA policy were one to be implemented and make meaningful comparisons between former projects and future projects.

If we implement a policy change with the potential for major cost implications and implications for competitive bidding on taxpayer-funded projects, it is essential that we gauge the changes in outcomes that result from such a change. Moving forward and failing to assess the impacts of a policy change would be a failure of our duties as custodians of taxpayer funds and fiduciaries for the City of San José.

Here is what we already know:

- All City construction projects already require payment of the Prevailing (union-scale) Wage.
- All City construction projects that pay Prevailing Wage are monitored for compliance by the City's Office of Equality Assurance.
- All contractors must be licensed, insured, and adhere to all Cal-OSHA safety practices.
- Both union and non-union apprenticeship programs exist.
- The high demand for labor in the Bay Area has required both union and merit contractors to reach beyond the local area to supply enough workers to meet the demand, thus there is no significant labor unrest. Demand for construction labor will only grow as Napa and Sonoma counties rebuild from the recent, disastrous fires.

What will our City and taxpayers gain with a CWA/PLA policy? Before implementing such a policy, we need the answer to this key question, and the questions of who wins and who loses?

Will a CWA/PLA policy:

- Alter competition for City projects;
- Result in higher costs and less benefits for residents, such as fewer miles of paving
- Reduce opportunities for disadvantaged businesses;
- Reduce take-home pay for some employees;
- Increase costs for taxpayers?

We must, in good conscience, knowledgably answer these questions if we decide to implement a CWA/PLA policy in the City of San José. We cannot answer these questions if we don't have the data.

With other such policy decisions we required economic modeling in nexus studies to determine the answers to such questions. It would be foolish for us to dive head-first into a new policy, as have other governments and agencies, without performing the necessary analysis.