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PROJECT LABOR AGREEMENT (PLA)
FACTS SHEET

OVERVIEW

Project Labor Agreements (PLA's) are agreements between construction clients (such as towns) and labor unions, which establish the rules to be followed by firms that bid on construction projects. PLA's typically require that all workers be hired through union halls, that non-union workers pay dues for the length of the project, and that union rules on pensions, work conditions and dispute resolution be followed.

PLA's work best on large complex projects that have fixed completion dates and scopes of work requiring a highly skilled labor force.

KEY COMPONENTS

Definition of Labor Pool
1. The agreement will define where the general contractor and required subcontractors are permitted to obtain labor resources for job. This can include requirements for apprenticeship and training programs which are acceptable.

Definition of Impact of External Labor Actions
2. Should limit or eliminate actions such as sympathetic walk-offs taken by labor on-site during actions of other off-site labor forces.

Definition of Conflict Resolution
3. Defines duration and method to resolve on-site labor issues. Additionally, states any punitive effects of not meeting this timetable.

COMPONENTS

LABOR COST

Public contract code requires that all labor be paid according to prevailing wages. Requirements for membership in associations and unions usually add cost for labor above that of the area's prevailing wage.

B.1 The additional cost can usually be traced to duplicate retirement & health benefits, etc.

1 Benefit to District or Project. Listed in order for reference.
PLA APPLICATIONS

L.1 Potential additional costs for labor forces which may cause bids to come in over budget. Will apply to all non-managerial staff employed to complete a project, except as specifically excluded. Excludes all survey, engineers, architects, deliveries, district personnel, etc.

B.2 Provides labor force which has participated in a formal apprenticeship program, potentially improving craftsmanship and skill level.

L.2 Usually reduces the competitive pool of bidding contractors and subcontractors. These smaller pools of bidders could increase cost of labor.

MOST APPROPRIATE PROJECTS

Agreement will define which projects are to be included in PLA program.

B.3 Time sensitive delivery and complex projects. Based on current Measure G projects the off-site centers appear to be the most appropriate.

L.3 Application to all projects limit ability of smaller local contractors to bid on Minor Projects Category.

MINIMUM CONTRACT AMOUNT TO COMPLY

For some smaller types of work, application of a PLA will significantly limit vendors and installers from participating in projects. To allow reasonable bid coverage, smaller projects should not be included in the PLA.

Recommend providing a minimum number of working days which will trigger requirement for a contractor or subcontractor to comply with PLA.

B.4 Broadens opportunities for smaller companies to bid on projects.

2 Liability Associated with Component. Listed in order for reference. See Cost Drivers
L.4 Creates monitoring requirements and could create complexities associated with construction site access.

As part of the agreement, active solicitation for bidders should be undertaken by as many associations as possible to increase exposure and insure adequate bid coverage.

One condition of the agreement should define a minimum bid participation from those included in the labor pool. Without this, bids are less competitive.

3.5 Provides additional resources to support bid effort and encourages active participation by companies exclusively using this labor pool. Minimum standards of bid coverage should be defined for both quantity of general contractors and quantity of subcontractors bidding to general contractors.

L.5 Could force the district to re-bid project if adequate coverage is not provided. This option should be clearly spelled out in any formal contractual agreement.

This will include requirements for both on-going on-site training and off-site apprentice-ship programs. Certification of employers to provide on-site training is often a requirement. Off site programs often are defined by a minimum percentage graduation requirement.

B.6 Provides a minimum standard of proficiency in training for both on and off site programs.

L.6 Reduces number of eligible bidders.

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1 Union/Non-Union Job Sites can require two-gate access to site.
1. Expectation of maximum duration of work stoppage or slow down
2. Definition of any liquidated damages assessed if not met
3. Definition of conflict resolution protocol: Arbitration clearly defined and required.

B.7 Clearly defines process to resolve labor disputes.

L.7 Defines process and may limit remedial actions of the district.

**COST DRIVER**

**BID POOL**

Issue: By limiting available labor pool and businesses positioned to provide bids on work, project is less competitive in bid market.

Solution: Provide base line requirement for number of bidders and number of subcontractors bidding to general contractors. Have conditions of compliance and the ability of the board to elect to proceed without PLA if conditions are not met.

**COST OF LABOR**

Issue: Dues add cost to employees working on project. These dues often fund retirement programs, strike benefits, health care programs, etc, which, if the worker does not elect to join the union, are lost to the worker.

Solution: If the worker elects, these funds can be refunded to him/her at the end of the project for private benefits.

**SMALL SCOPES OF WORK**

Issue: The requirement to define labor resources for small projects is likely to limit the local general contracting companies, many of which are not union affiliated, from participating in the projects.

Solution: Only use PLA on selected major projects.
LABOR ACTION IMPACTS

Issue: External labor actions such as teamsters strike can cause labor actions on project, which can include work slow downs and strikes.

Solution: PLA is structured to prohibit this type of action.

<table>
<thead>
<tr>
<th>BENEFITS</th>
<th>LIABILITIES</th>
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<tbody>
<tr>
<td>Training and development programs increase the skill of workers on projects.</td>
<td>Reduces available bid pool limiting submissions to only those contractors employing union labor.</td>
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<tr>
<td>Creates punitive action for untimely resolution of labor disputes.</td>
<td>Potential increase in cost of labor union dues.</td>
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<td>Supports/provides work for local labor union members.</td>
<td>Some projects have experienced increases in cost of bid due to use of PLA. In some instances, this has been demonstrated to be as high as fifteen percent.</td>
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<td>Support of educational programs consistent with goals of SCCD.</td>
<td>Excludes locally owned non-union businesses from the bidding process.</td>
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<td>Use of highly skilled labor could improve project quality.</td>
<td>Measure G project budgets do not have allowances for additional costs normally associated with the implementation of a PLA.</td>
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<tr>
<td>Provides conflict resolution methods for any labor dispute.</td>
<td>Some types of work have extremely limited companies available to bid on projects that meet the standards of the PLA (i.e. toilet partitions, specialized equipment installation, etc.).</td>
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Power plant costs to soar

*Labor clause adds millions*

By Gary Scott
Staff Writer

Friday, March 21, 2003

PASADENA – The city will pay an additional $2.3 million for using union labor on the Glenarm Power Plant project, according to an official from the company likely to get the contract.

Nathen Howard, vice president of Sermatech Power Solutions, says this is how much more his company will charge the city to install two gas-turbine generators under a contract provision that requires the use of union-workers.

The City Council will be asked Monday to approve the contract.

"The city got a $2.3 million lesson in how to pay off union bosses," said Eric Christen, president of the Coalition for Fair Employment in Construction, a group that supports nonunion companies' rights. "I've never seen a City Council that has so brazenly done the bidding of union bosses."

Sacramento-based Sermatech originally turned in the lowest bid on the project, saying it could do the work with its own nonunion workers for $14.9 million. In February, the council voted to reject all bids after it received several letters from union groups threatening strikes or other work stoppages on the project.

The second-lowest bidder, The Industrial Company, also filed a letter complaining that Sermatech's bid was incomplete.

The council decided to amend the contract, changing several provisions contested by Industrial and adding a Project Labor Agreement.

The PLA requires that the company gettin the contract use union labor exclusively and honor local labor agreements.

In a second round of bidding Sermatech again turned in the lowest bid, offering to install the generators for $17.2 million. Howard said the additional cost is "100 percent" due to the PLA, and that the city actually removed several work items from the contract.

The City Council's Municipal Services Committee recommended Wednesday that the council approve the contract with Sermatech.

"All we did was buy off on the PLA for $2.3 million," said Councilman Steve Haderlein, who serves on the committee with council members Sid Tyrer and Joyce Streater. Streater was absent. Haderlein and Tyler voted against rejecting the first round of bids.

"As lukewarm as I can make a motion, we have to move this forward," Haderlein added. He expressed frustration after being told that the project was on a tight deadline.

"We would have performed the project at our previous price," said Howard in an interview Thursday. "We would have been happier to do that."

The generators must be operational by the end of the year so that two smaller gas turbines at the Glenarm plant can be retrofitted to meet South Coast Air Quality Management District regulations, said Joe Awad, Pasadena Water and Power project manager.

"The delay caused by the whole PLA is causing us to have to move faster," said Haderlein.

Phyllis Currie, PWP's general manager, said even more expensive delays could have resulted from a strike or a lawsuit.

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