



Authorize Negotiation of PLA for Contracts \$5M and Greater

Engineering & Operations Committee

Item 7-1

March 7, 2022

April & October 2021 E&O Presentations

- Overview of PLAs
- Potential Benefits, Costs, and Challenges
- Answered questions and provided additional information
- Staff committed to return to the Board to recommend options for PLA implementation

Overview of PLAs

- Special union collective bargaining agreement between unions and contractors, and approved by owner
 - Includes wage and benefit requirements
 - Provides for labor harmony (no strikes or craft disputes)
 - Includes diversity, equity, and inclusion provisions
 - Open to both union and non-union contractors
 - Supports existing anti-discrimination and harassment contract provisions
 - Unions agree to provide qualified and trained craft labor
 - Efficient contract dispute resolution procedures
 - Complements safety programs and drug/alcohol testing policies

PLA Benefits and Challenges

● Benefits

- Use of union apprenticeship programs
- Utilization of a more diverse workforce and emphasis on local hiring
- Reliable supply of skilled labor
- Avoidance of work stoppages and labor disputes and efficient labor dispute resolution process

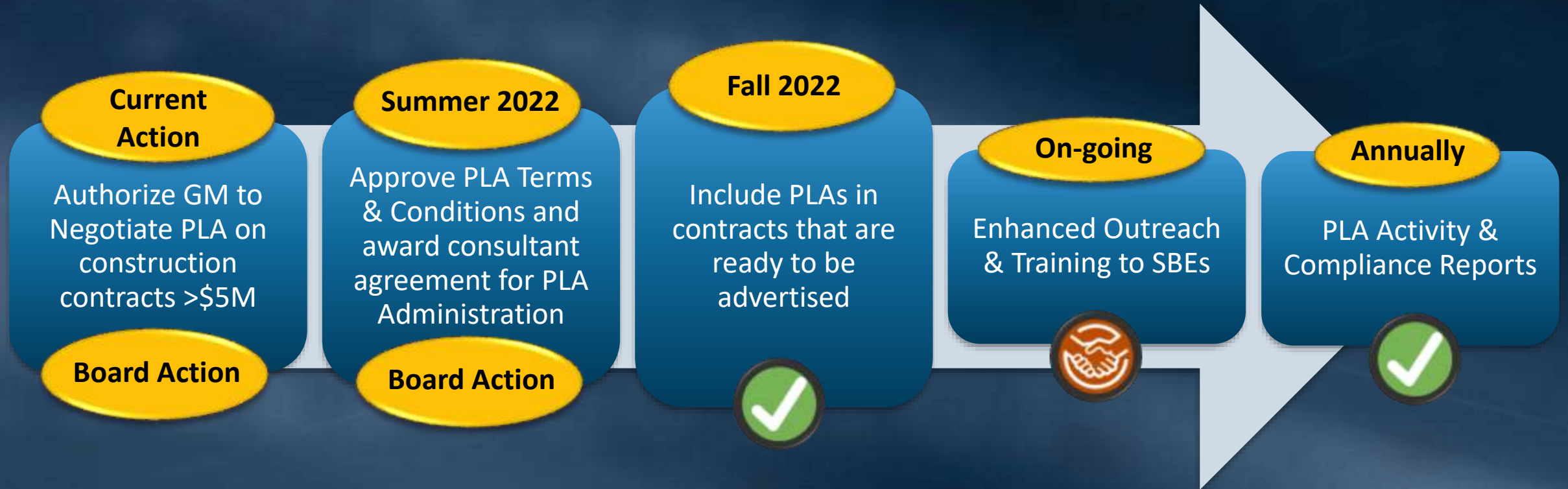
● Challenges

- Multi-county agreement with labor unions
- Added cost to administer PLA
- Potential challenge to educate SBE and non-union contractors to bid PLA contracts
- Additional Metropolitan staff for oversight, outreach and SBE education

Key Questions

- What is the potential impact(s) of PLAs on Metropolitan's existing SBE Program?
- What is the most appropriate approach to implement a PLA?
 - Dollar threshold subject to exceptions with board approval
- How will program be administered?
 - Staff and consultant efforts
- What are Metropolitan's anticipated costs to utilize PLAs?
- What is the recommended process leading to Board approval and utilization of PLAs?

Proposed Timeline for PLA Implementation



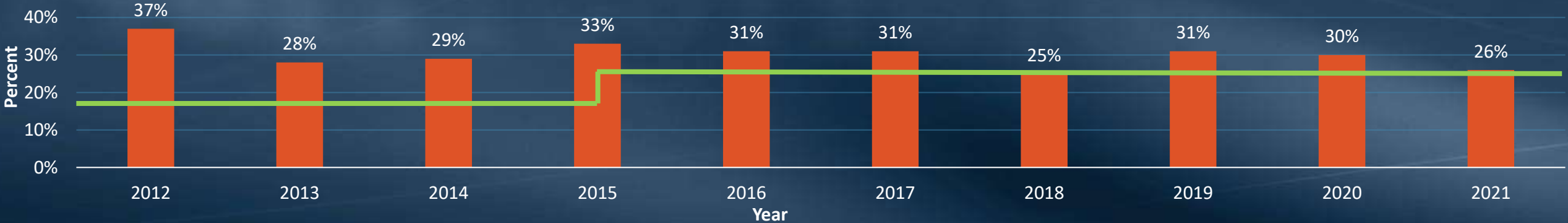
SBE Participation Trends

By Dollar Value



- SBEs are awarded a significant number of construction contracts and 14% of construction funds are expended by contracts with SBE primes.
- SBE Subcontractor Participation is above 25% consistently

SBE Utilization of Prime and Subcontractors



Continued Focus on the SBE Program

- Staff commitment to work to maintain successful SBE program
- Staff and PLA administrator will conduct outreach and training
 - Ensure SBE firms can successfully participate in PLA projects
- Regular assessments and reporting on SBE participation
 - PLA projects
 - Non-PLA projects

Examples of Potential Expanded Outreach Opportunities

- MetWorks quarterly meetings
- Business Outreach seminars
- Informational documents
- Virtual bid-phase presentations
- “Doing Business with Metropolitan” website enhancements regarding PLA

Potential Cost Impacts of PLAs

- Internal administrative costs: approximately 1 FTE
- PLA administrator: approximately 1% of contract value
- Cost impacts to construction contracts highly debated:
 - Various studies over last 25 years are contradictory on cost impacts
 - Discussions with prime contractors and public agencies: little or no financial impact

Administration of the PLA(s)

- RFP currently being advertised for PLA negotiator
 - Agreement value anticipated within GM authority
 - Will negotiate template PLA with labor
- Developing RFP for PLA administrator
 - Summer 2022 board authorization of agreement
 - Will administer PLA & work directly with labor and contractors
- Staff will provide:
 - Oversight and administration of consultant agreement
 - Internal coordination efforts between staff and PLA administrator

Recommended Approach for PLA Implementation

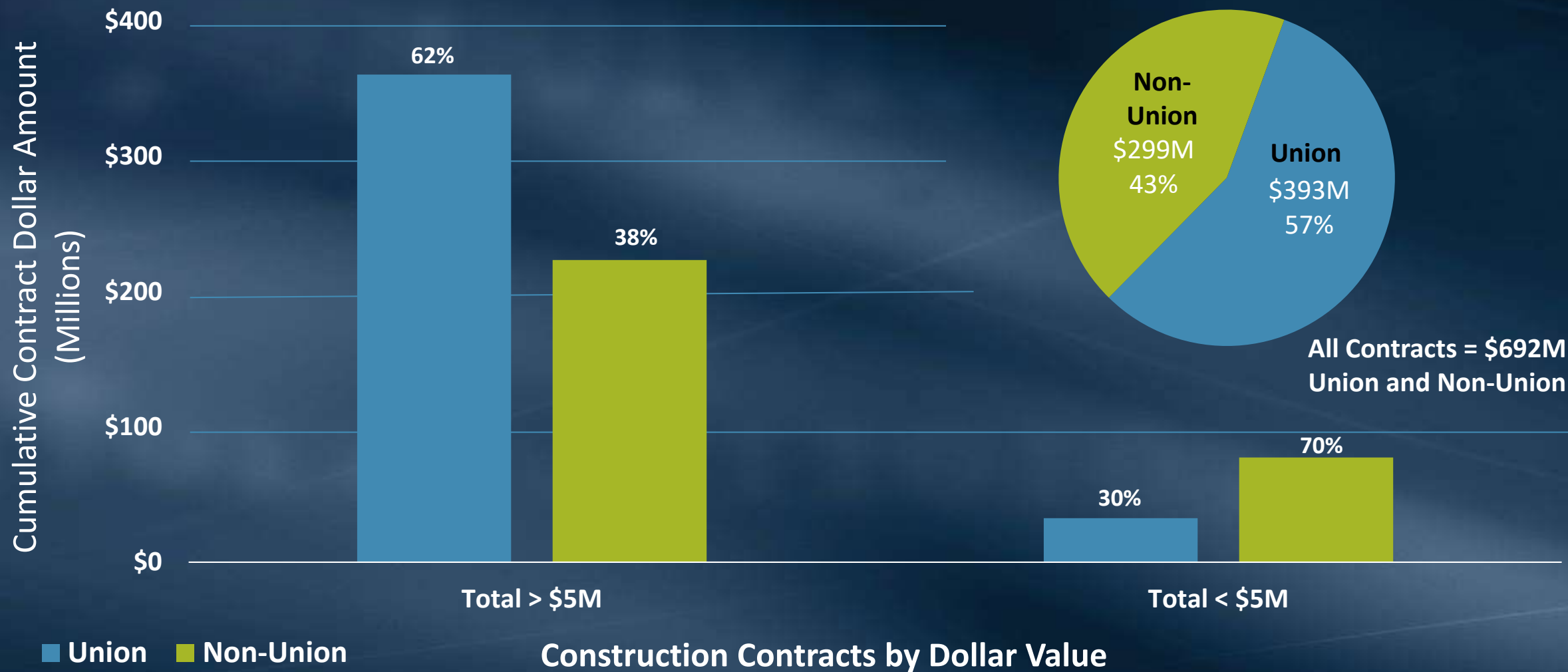
- March 2022 Board Action
 - Authorize the GM to negotiate a PLA
 - PLA applies to contracts \$5M and greater
- Summer 2022 Board Action
 - Approve implementation of PLA template on construction contracts
- Utilize PLAs for an initial 3-year duration with option to add additional time
- Assess progress and make needed adjustments for success
- Regular reporting to Board

Background for the \$5M Contract Threshold

- Analysis of construction contracts awarded from 2015 to 2021 found majority of contracts below \$5M awarded to a mix of SBE and non-union contractors
- \$5 million threshold minimizes initial impacts on SBE contractors and subcontractors
- This approach is expected to get us to 90% of construction contract expenditures

Union vs. Non-Union Participation in Construction Contracts

Analysis of Construction Contracts (2015-2021)



90% of Future Construction Expenditures Covered by PLA



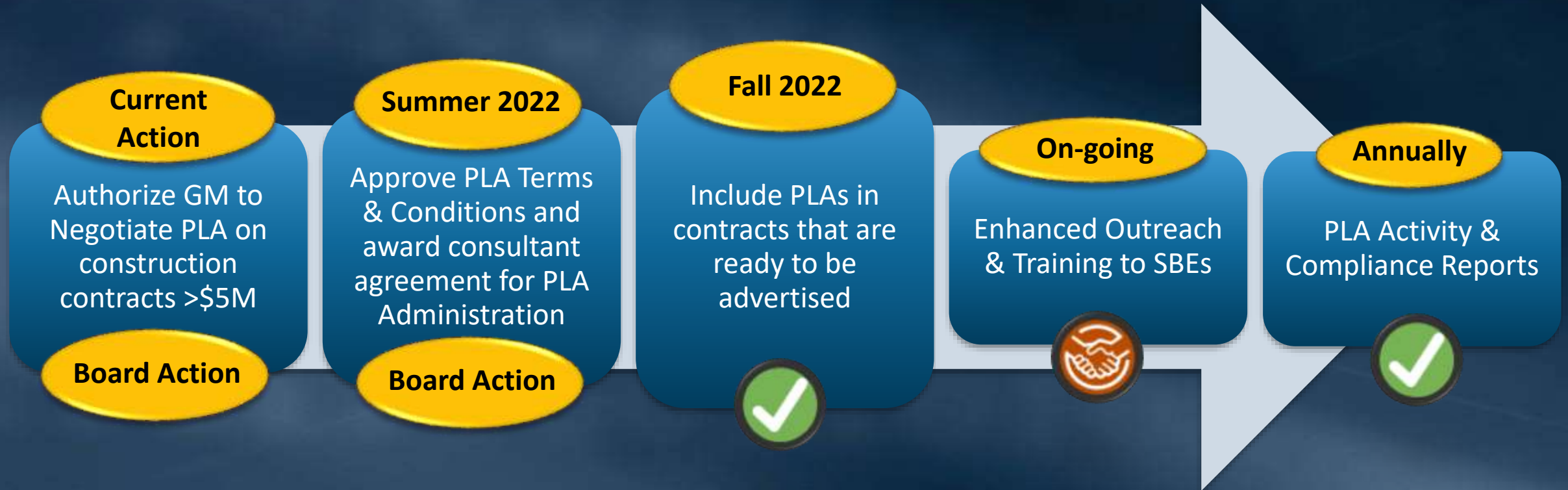
Cities/Agencies with PLA Thresholds*

- City of Long Beach (\$750k, but street/ROW projects \$1M)
- San Diego County Water Authority (\$1M)
- City of San Francisco (\$1M-\$5M depending on funding source)
- Santa Clara Valley Water (\$2M)
- Los Angeles County Metro (\$2.5M)
- City of San Jose (\$3M)

- Many agencies apply a PLA to specific projects in lieu of a threshold

*Not intended as an exhaustive list

Proposed PLA Implementation Timeline



Board Options

- Option #1
 - Authorize the General Manager to negotiate a Project Labor Agreement for application on construction contracts with a value of \$5 million or greater within Metropolitan's Capital Investment Plan
- Option #2
 - Do not authorize the General Manager to negotiate a Project Labor Agreement at this time.

Staff Recommendation

- Option #1

