



Project Labor Agreements

Engineering & Operations Committee

Item 6a

October 11, 2021

Agenda

- Highlights from the April E&O Presentation
- Follow up items
 - Director's Questions - April E&O Presentation
 - Contractor organization feedback
- Potential Approaches to PLA Implementation
- Next steps

Highlights from April E&O Presentation

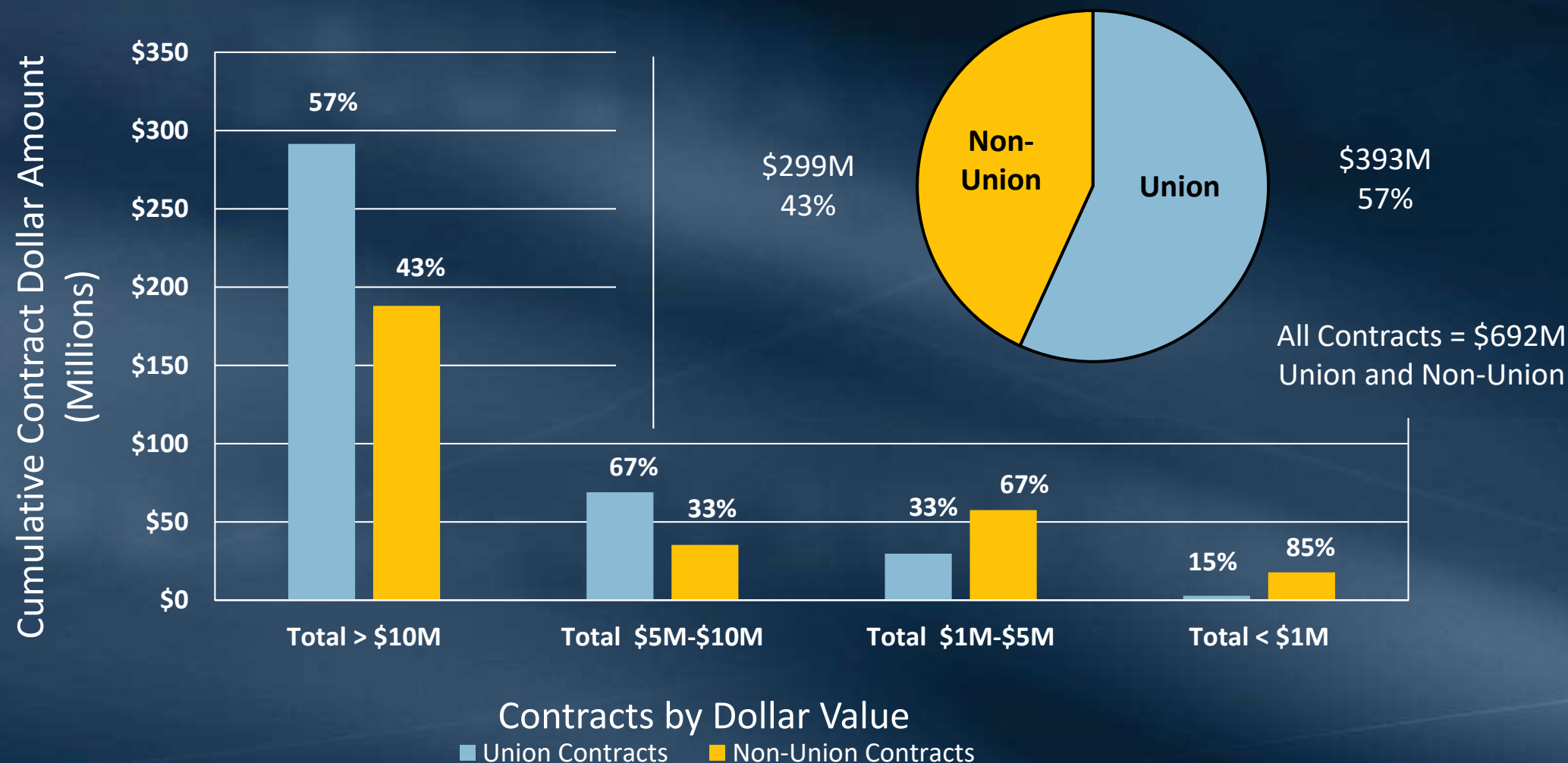
Background from April E&O Presentation

- Current contracting environment
- Overview of PLAs
- Potential benefits, costs, and challenges
- Metropolitan's past PLA experience
- Examples from other agencies
- SBE Program overview

Current Metropolitan Contracting Practices

- Traditional design-bid-build delivery method
- No PLAs currently in place
 - Prior use of PLAs on large programs
- Metropolitan's construction contracts performed by a mix of union and non-union contractors
- All contractors are required to comply with California Labor Code
 - Payment of prevailing wages
 - Must comply with California Labor Code Provisions for employment of apprentices

Distribution of Construction Contracts (2015-2021)



Metropolitan's Successful SBE Program

- In-place since 2001
- Board established SBE participation goal of 25 percent
- Disabled veteran-owned business enterprises established goal of 3 percent
- Regional businesses comprise 80-85 percent
- Subcontractor payments tracked monthly for compliance and accountability
- SBE program to remain unchanged under PLA
- Outreach and education are necessary to prime and subcontractors to maintain success of Metropolitan's SBE program for contracts under PLA

April E&O Comments/Questions

April Board Questions/Comments

- Does PLA increase the cost of construction?
 - Feedback indicates no increased construction cost
 - There is a cost to Metropolitan to administer the PLAs
- How are contractors involved in negotiating PLAs?
 - Contractor feedback solicited informally during negotiations
- Will contributions to union benefit funds be lost for non-union members?
 - Union benefit plans have different vesting periods for coverage
 - Non-union workers may receive some of the benefits depending on how long they work on PLA-covered projects or if they join the union in the future
- How might a PLA have affected previous MWD jobs?
 - Potentially improved labor compliance and reduced complaints through the Department of Industrial Relations
 - May have assisted in the implementation of more robust local workforce inclusion, diversity, and training partnerships

Commentary from AGC and UCON

- How are existing contractor/union agreements incorporated into the PLA?
 - Master agreements are typically incorporated into PLA by reference
- Will PLA limit hiring practices?
 - PLA typically has local inclusion and diversity requirements or goals
 - Non-union contractors may use a limited number of “core employees”
- What work is excluded from PLA?
 - Exclusions are part of the negotiation
 - Exclusions would typically include such items as offsite work and work by Metropolitan forces

Potential Approaches to PLA Implementation

Goals for MWD PLA Implementation

- Direct benefits to Metropolitan construction contracts
 - Avoid work stoppages and labor disputes
 - Consistent supply of skilled labor
 - Consistent work schedules among trades
 - Facilitate contractor/union dispute resolution
- Benefits to regional workforce
 - Utilization of union apprenticeship program
 - Provides for hiring of a diverse workforce
 - Emphasis on use of regional workers
- Other potential benefits
 - Pathway for Metropolitan to hire from pre-apprenticeship programs

Multiple Approaches to PLA Implementation

- Alternative 1. PLA covers all Metropolitan Public Works Contracts
- Alternative 2. Establish a dollar threshold for PLA contracts and/or have PLA cover all projects within a specific program
 - Contracts greater than a predetermined dollar value are covered by PLA
 - Contracts that are part of a larger program or project
 - Examples: Regional Recycled Water Program, PCCP Relining Program
- Alternative 3. PLA covers selected contracts within Metropolitan's CIP
 - Utilizes established evaluation criteria to determine applicability
 - List of applicable projects developed using the evaluation process
 - PLA incorporated into selected contracts

Alternative 1. PLA applied to all Metropolitan Contracts

● Pros:

- Simplified selection criteria
- Not necessary to evaluate contracts individually for suitability for PLA
- Uniformity and consistency across all contracts
- May be easier to negotiate because unions favor all contracts to be included in the PLA

● Cons:

- All construction contracts may not be suitable for PLA
- Increased challenges for SBE and non-union contractors
- May be viewed as a regulatory requirement

Alternative 2. PLA application based on dollar thresholds, and/or program-wide utilization

● Pros:

- Minimum contract dollar threshold would focus PLAs on larger contracts
- Entire program coverage simplifies contract administration of all work in the program
- Less impactful to non-union and SBE contractors than Alternative 1

● Cons:

- Some contracts above the threshold may not be suitable for PLA
- May be viewed as a regulatory requirement

Projected Number of Potential PLA Contracts: Anticipated Contract Awards - July 2022 to June 2024

Contract Value	Potential Number of Contracts*	Estimated Cumulative Costs*
Contracts greater than \$10M	12	\$390M
Contracts between \$5M and \$10M	7	\$43M
Total	19	\$433M

* Information based on current planning estimates for FY-2022/23 to FY-2023/24 two-year CIP budget

Alternative 3. PLA applied to selected contracts within Metropolitan's CIP via evaluation criteria

● Pros:

- Allows for case-by-case determination of contracts most suitable for PLA
 - Selection of contracts based on consistent evaluation criteria
- Further reduces potential risks to established SBE program
- Reduced risk to Metropolitan that PLA requirement is viewed as regulatory

● Cons:

- Evaluation of contracts for PLA suitability may be time consuming
- May be more challenging to negotiate because certain contracts may be excluded due to selection criteria

Potential Next Steps

- Early- to mid-2022
 - Board authorizes use of PLA's
 - Select consultant to negotiate PLA with unions
 - Select consultant to administer PLA in Metropolitan construction contracts
 - Establish in-house staff to manage overall PLA effort
 - Conduct enhanced PLA outreach with SBE firms
 - Begin implementation of PLAs into construction contracts

