



Date: November 6, 2014

To: Patrick H. West, City Manager *PLW*

From: John Gross, Director of Financial Management *JG*
Debbie Mills, Director of Human Resources

For: Mayor and Members of the City Council

Subject: **Local Workforce Hiring and Training: Project Labor Agreements and First Source Agreements**

On July 22, 2014, the City Council directed the City Manager to review and report back on the development and implementation of a local workforce training and local hire policy. The agenda item (attached) and the motion approved by the City Council spoke only to a local workforce training and local hire policy; therefore, that has been the focus of the staff work. However, in recent weeks, there have been subsequent inquiries by the sponsors of the item related to Project Labor Agreements (PLAs). As such, the response to this item has taken slightly longer than the 90-day timeframe requested by the City Council, but now attempts to respond both to a local hire/training policy, as well as local hire/training through a PLA.

Local hiring and workforce programs can vary in their intensity and scope depending on their administrative components and enforcement mechanisms. However, most are generally structured to use public funds to target a percentage of the jobs (created through construction or non-construction operations) toward local residents, to ensure that those residents benefit from the economic development and reinvestment occurring in the local community. There are two general approaches that are recommended to consider in accomplishing local workforce training and local hire. One is through a Project Labor Agreement (PLA) and the other is through a Long Beach First Source Agreement (FSA). Both approaches are discussed herein.

Project Labor Agreements (PLAs)

PLAs are comprehensive contracts between the managing entity of a construction project and a consortium of unions. These agreements codify worksite conditions, project execution and protocol to resolve labor disputes without resorting to strikes and lockouts, and can provide for local workforce hiring and training. PLAs can also be called Community Workforce Agreements (CWAs), particularly where they include local hiring goals.

The City enacted a project-specific PLA for the Airport Terminal Improvement Project in 2010 at an estimated project cost of \$29 million. The City was following a practice of having project-specific PLAs. Project-specific PLAs allow for adaptations to occur based on the needs and context of the project. This PLA delivered several benefits, including: HUD Section 3 Compliance; implementation of an Apprenticeship Program that includes a minimum of 15 percent of local hire and a minimum of 30 percent of hours worked

designated to apprentices; small business utilization with a 15 percent Small Business Enterprise participation goal; implementation of a Wages and Benefits structure designed to define employee pay rates and benefits; and no work stoppages or lockouts, to ensure project completion without disruptions.

First Source Agreements (FSAs)

FSAs connect people who are looking for jobs with training programs and work with employers to fill only new vacancies with local residents. They are typically partnerships between a municipality, a non-profit agency, pre- and post-employment service providers or regional workforce investment board and local employers. It is a local hiring mechanism that does not force employers to hire at specific thresholds, but places priority on filling vacancies with qualified local workers by functioning like a staffing agency. In addition to providing agreements with employers, a FSA partnership can also work to assess industry demands, use analytic data and labor union input, and to guide the overall recruitment, referral, and placement of local workers.

Cities may require that developers, contractors or lessees set aside a certain number or percentage of construction or permanent jobs, or both, for first-source hiring. The duration of the local recruitment process, as well as the duration of the program requirements beyond the initial contract terms, varies based on the program. Recruitment activities may include job fairs, partnerships with first-source hiring partners, or even the establishment of a developer or city project-specific first-source hiring program. Such programs can help residents learn about new jobs and employers to learn of potential employees. Among the programs currently in place, the percentage of jobs on any project covered by first-source hiring requirements ranges from 15 percent to 50 percent, and the duration of first-source hiring "local reservation" periods range from three days to 14 days.

The cost of administering a local hiring program reflects the desired level of monitoring and compliance activities, the number of projects participating in the program, and whether job referral services are provided by the city or a city-funded agency. Administrative costs typically fall within the monitoring of "good-faith efforts."

Recommendations

Staff is recommending that both approaches be evaluated using two-year demonstration programs. The specifics for each program are provided below.

PLA Program

For the PLA program, staff recommends the following characteristics and goals:

- Applicable to major City construction projects primarily involving the building trades (currently PLAs are project-specific);
- Applicable to projects of \$1 million or above (currently \$23 million or above);
- Provide for hiring and training of Long Beach residents;
- Ensure that projects do not have work stoppages;

- Ensure that bidders can use their existing employees for a project;
- Ensure that disadvantaged businesses and small business continue to bid on City projects;
- Ensure there are not disincentives to bidders for bidding on City projects;
- Not applicable where funding sources do not allow;
- Incorporate performance measures to allow the program to be evaluated.

These attributes will help ensure that the program meets the City Council's goals while not putting the City at risk of violating funding requirements. One of the potential concerns about PLAs is whether they adversely impact the participation of disadvantaged businesses and discourage bidding on smaller contracts. This will be reviewed during development of the PLA contract and associated management process to minimize complexity, and to potentially have familiarization and training opportunities for disadvantaged and small business. The City also intends to monitor for any issues during the two-year demonstration program.

Another goal of the program will be to make the PLA as simple as possible to administer by reducing PLA complexities where possible. However, even though the City has as PLA examples both the Airport PLA and the sample PLA/CWA provided by the Building and Construction Trades Council, developing a final version of the PLA and then to monitor each project to which it applies will require assistance. Monitoring is recommended; otherwise the PLA will not necessarily be effective and cannot be evaluated. A consultant will be used to assist in developing and monitoring the program. The program will have performance measures that will be monitored and evaluated and will sunset in two years, but subject to renewal by the City Council based on performance results.

The minimum dollar amount for a PLA of \$1 million or more is designed to have a suitable number of projects over the next two years (about 10-15 projects), even though it is lower than the typical amount in other cities and much lower than the Federal policy recommendation of \$25 million that the City was previously using (see chart below).

City/County	Minimum Amount
Port of Oakland Maritime	\$ 50,000
Port of Oakland Aviation	\$ 50,000
Watsonville	\$ 600,000
Berkeley	\$ 1,000,000
Contra Costa Community College District	\$ 2,000,000
Contra Costa County Public Works	\$ 1,000,000
Port of Oakland	\$ 1,000,000
LA Metro	\$ 2,500,000
Seattle	\$ 5,000,000
San Francisco Public Utility Commission's Water Supply Improvement Program	\$ 5,000,000
Solano County	\$ 10,000,000
Federal Minimum (current City)	\$ 25,000,000

Example City projects that are planned and budgeted to which the PLA may apply at the \$1 million or more include the following:

Potential Projects of \$1M or Greater		
1	Tideland Area Restroom Rehab	\$2,515,000
2	Alamitos Beach Restroom & Concession Stand Rehab	\$1,000,000
3	Seaside Way Pedestrian Bridge	\$9,515,000
4	Leeway Sailing Center Rebuild	\$4,800,000
5	Belmont Aquatics Center	\$103,100,000
6	Beach Restrooms	\$2,000,000
7	Other Tidelands Projects	\$2,000,000
8	North Library (already bid)	\$13,800,000
9	East Police Station (already bid)	\$6,000,000
10	Fire Station Workforce Privacy Improvements	\$1,500,000
14	Airport Area Improvements	\$2,449,000
15	Airport Parking Structure	\$1,000,000
16	Airport Rental Car Facility	\$2,300,000
17	Bridge Rehabilitation	\$1,000,000

The program is expected to take less than six months to develop and negotiate. There is a cost to monitor the PLA, a cost either incurred by City or by the successful bidder on the project, or both. It is staff's intent to reduce the cost as much as is feasible by simplifying the PLA, by integrating the cost into other labor compliance monitoring, and/or having as much monitoring as possible done by the successful bidder on a project. The City will use a consultant, as necessary, for administration of the PLA for individual projects and the project budget will pay for those costs. At present, it is assumed that ongoing internal City staff costs would not be significant, although the initial time to develop and negotiate the PLA will impact other priorities. The consultant will help to minimize any impact of the initial development effort and any future ongoing operating impact.

FSA Program

For the FSA program, staff recommends the following characteristics and goals:

- Applicable to non-building trades projects over \$1 million and non-professional services valued in excess of \$250,000; not applicable to the purchase of goods;
- Not applicable to the Convention Center contracts for maintenance and operations;
- Ensure that the program applies to only net-new job opportunities that come as a result of the newly-awarded City project;
- Ensure that disadvantaged businesses and small business continue to bid on City projects;
- Incorporate performance measures to allow the program to be evaluated;
- Program will operate as a workforce intermediary pilot program that will be run, monitored and funded by the Workforce Investment Board (WIB), Pacific-Gateway, utilizing WIB funds and City workforce-related funding streams.

Examples of future City non-building trades projects that meet the \$1 million threshold include, but are not limited, to the following:

Potential Non-Building Trades Projects of \$1M or Greater		
1	Tidelands Parking Lots	\$5,993,000
2	Life Guard Towers Replacement	\$1,560,000
3	Rainbow Lagoon Pump Station	\$1,000,000
4	Alamitos Park	\$3,500,000
5	Bixby Park	\$1,000,000
6	Recreation Park	\$1,000,000
9	Artificial Turf Fields	\$2,000,000
10	Deforest Wetlands	\$6,500,000
12	Citiwide Irrigation Upgrade and Replacement	\$1,000,000
13	Storm Drain Pump Repair & Certification	\$1,000,000
14	Alamitos Ave Btwn 7th & Orange Ave	\$1,500,000
15	Artesia Blvd. Btwn Western City Boundary	\$1,400,000
16	Cherry Ave. btwn Ocean Blvd. And PCH	\$2,100,000
17	Ocean Blvd. Btwn Livingston Dr. and Bayshore Ave	\$1,900,000
18	Santa Fe. Ave btwn Spring St and Wardlow	\$2,000,000
19	Ocean Blvd. Corridor Traffic Improvements	\$2,400,000
20	Atlantic Ave. Corridor Traffic Improvements	\$3,675,000
21	Major and Secondary Highway Program	\$10,430,000
22	Citywide Residential Repair	\$4,925,000
23	Citywide Infrastructure Improvements (Sidewalks)	\$3,000,000

Examples of non-professional services or consulting contracts valued in excess of \$250,000 may include:

- Landscape maintenance services
- Custodial services
- Building maintenance services

Whether the \$1 million dollar minimum for non-building trades projects and the similar \$250,000 minimum of for non-professional services creates issues for disadvantaged firms or small businesses from bidding on City projects will be evaluated during the two-year demonstration program.

Cities that have FSAs include: Richmond, CA; Berkeley, CA; Somerville, MA; Cleveland, OH; Baltimore, MD; Denver, CO; and Washington, D.C.

Long Beach is also well-positioned to develop a complete FSA program through the existing workforce development programs. The existing partnership between the California Employment Development Department (EDD), the City of Long Beach and Pacific Gateway, the regional Workforce Investment Board offer the appropriate programs to ensure a workforce readiness.

Please let us know if you require additional information.

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ATTACHMENT

CC: JYL MARDEN, INTERIM ASSISTANT CITY MANAGER
TOM MODICA, DEPUTY CITY MANAGER



NB-31

Date: July 22, 2014

To: Honorable Mayor and City Council

From: Councilmember Patrick O'Donnell, Fourth District *POD*
Councilmember Al Austin, Eighth District *al*
Councilmember Lena Gonzalez, First District *Lgc*

Subject: **Local Workforce Training and Local Hire Policy**

Background:

As our city works to create policies that ensure a skilled and well-paid workforce, it is essential that we look to our own procurement process as one path to accomplish this. When able, it is essential that we use our own resources as tools to leverage opportunity for our residents and local economy. One simple way to further these goals is for the City to establish a policy that requires job training and local hire provisions as part of large construction project bids from responsible contractors. Other public entities have such a policy.

A Local Workforce Training and Local Hire Policy as set by the Long Beach City Council should include the following components:

- A local hire requirement
- A training component to ensure Long Beach area residents receive the benefit of a state certified apprenticeship program

Compliance with the above components should be required as part of the qualification to bid on all new CIP and enhancement projects in the City of Long Beach that cost over a to be determined designated dollar amount.

Recommendation:

Direct City Manager to review and report back to Council on the development and implementation of a Local Workforce Training and Local Hire Policy within 90-days.

Fiscal Impact: No significant fiscal impact is associated with the recommendation of this item.

