CITY OF HUNTINGTON BEACH
INTERDEPARTMENTAL COMMUNICATION
FINANCE OFFICE

TO: JOAN FLYNN, CITY CLERK

FROM: DAN T.VILLELLA, CPA, FINANCE OFFICER

SUBJECT: FINANCE BOARD PRESENTATION ON PREVAILING WAGE (STUDY SESSION – OCTOBER 17, 2005)

DATE: OCTOBER 3, 2005

Attached is a hard copy of the Finance Board's PowerPoint presentation scheduled for the October 17th Study Session on Prevailing Wage.

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Attachment

STUDY SESSION
10-17-05

Huntington Beach City Council / Finance Board Study Session

October 17, 2005

History/Perspective

- Prior Council/FB Study Session was February 22, 2005
  - Cost Allocation Plan & Fee Study
  - Finance Board Roles & Responsibilities
  - Unfunded Liabilities
  - Long Term Financial Plan

History/Perspective

- Subsequent to February 22, 2005
  - Financial Policies
  - Form 700
  - Prevailing Wage
    - Council "H" item had been deferred pending outcome of Long Beach Decision
    - At FB April meeting, HB City Attorney stated Long Beach decision will have no impact on HB

Existing City Policy

- The city's current practice is to pay prevailing wage rates for all projects and all service contracts

Opportunity for Savings

- Labor vs. Material Costs
  - Majority of savings are found in projects heavy in labor costs & light in material costs (e.g., tree trimming, park & landscape maintenance, janitorial services & street sweeping.)
  - Projects lighter in labor costs could still have projected savings.

Opportunity for Savings
(Continued)

- Funding Sources
  - Prevailing wage required:
    - Projects funded by state money
    - Projects of a state-wide concern
    - Public work projects funded with Federal money
  - Prevailing wage not required:
    - City funded service contracts (policy change needed)
    - City funded public work projects (if City "opts-out")

Prevailing Wage Impact Study

Cost Impact	Author	Subject	Date
9.1--31.6%	UC Berkely	Public Housing	2003/2004
23--26%	Fraundorf, et. al.	Federal Prev.Wage in rural areas	1983
15%	State of Florida	School Construction	1978
10-16%	State of Michigan	4 year Suspension of State Prev. Wage Law	1994/1997
10.5%	State of Ohio	School Construction	On-going
9.4%	US Senate--considering repeal of Davis Bacon Act	Repeals of Prev. Wage laws in FL, IA, KY, LA, MD, MN, NH	1999
3--7%	GAO	Construction Projects	Late 1970's
3.8%	Prince George County, Maryland	School Construction in DE, PA, WV, NC, VA	Late 1990's
1.9%	Prince George County, Maryland	School Construction	1999
0--3%	various studies	School Construction	Late 1990's
0 to statistically insignificant	various studies	Construction Projects	1990's

City's Prior Prevailing Wage Study—April 2002

- Comprehensive yet inaccurate
- Identified studies of savings ranging from 26% to statistically insignificant
- Identified examples of projects including Overmyer Reservoir Phase II
  - Incorrectly excluded skilled labor from analysis
  - Concluded savings were minimal
  - Estimated savings would be approximately 10%
  - Savings on Overmyer would have been approximately $100k, not $25k as indicated, including skilled labor

Potential Savings for Huntington Beach

Maintenance Contract Opportunities without Prevailing Wage

City Funds	05/06 Budget	Potential Savings	%
Landscape Maintenance	$ 175,000	$ 35,000	20%
Park Maintenance	650,000	130,000	20%
Tree Maintenance	250,000	50,000	20%
Street Sweeping	290,000	58,000	20%
Sidewalk Cleaning (Downtown)	35,000	10,500	30%
Channel Cleaning	50,000	10,000	20%
Janitorial	75,000	15,000	20%
Painting	35,000	28,000	80%
Water Service Maintenance	50,000	10,000	20%
Tree/Sidewalk Replacement	3,500,000	525,000	15%
Sewer Slip Lining	750,000	150,000	20%
Total FY 05/06	$ 5,860,000	$ 1,021,500	17%

Other Considerations

- Prevailing wage increases costs with no <u>proven</u> benefits
  - No proof more qualified workers hired
  - No proof of improved quality
  - No evidence non prevailing wage would destabilize industry
  - No proof of improved productivity

Other Considerations (cont)

- Non-Prevailing Wage Policy Benefits
  - Cost savings up to 31.6%
  - Less administrative costs & burden
    - Improved staff efficiency and productivity
  - Increased number of bidders
  - Possible increased employment opportunities
- Council has fiduciary obligation to taxpayers

Finance Board Recommendations

- Adopt a policy to accept non-prevailing wage bids wherever possible
- Provide staff the option of sourcing funds in the budget that would maximize opportunities to obtain non-prevailing wage contracts