

## MEMORANDUM

**DATE:** April 7, 2021

**TO:** Tom Crawford, City Administrator

**FROM:** Craig Hupy, Public Services Area Administrator

**RE:** Prevailing Wage Compliance Report for 2020

This memorandum provides the fourth-year update on the implementation of administrative policies related to compliance with the City's prevailing wage policies, as described in Council Resolution [R-16-469](#).

### **Background**

On December 5, 2016, City Council passed Resolution No. [R-16-469](#), which directed the City Administrator to develop new administrative policies surrounding the communication and enforcement of the City's prevailing wage requirements. The City Administrator issued a [memorandum dated February 14, 2017](#) that outlined these administrative policies.

Resolution [R-16-469](#) also directed the City Administrator to report back to Council one year after implementation of the foregoing policies regarding contractor prevailing wage compliance. Additional reports were also submitted to summarize the data collected from the 2018 and 2019 calendar years; and the following report is also being submitted for the 2020 calendar year.

### **Results**

As outlined in the City Administrator's February 14, 2017 memo, City staff required the submittal of certified payroll records for all applicable contracts throughout the 2020 construction season. City staff and/or consultants reviewed these records for compliance with the appropriate prevailing wage rates.

In order to further verify that these records were correct, staff also conducted wage rate interviews. Wage rate interviews are interviews conducted by City staff and/or consultants directly with the contractor's employees, in which they are asked what their hourly pay rate is, as well as what type of work they are performing (in order to verify their correct labor classification).

Payroll information was reviewed for 27 contracts in 2020, which included all prime contractors and "first tier" subcontractors, resulting in 43 contractors in total. Based on staff's review of the certified payroll records and wage rate interviews, there were no instances where a company paid their employees incorrect wages.

Also as referenced in the Administrator's memo, City Procurement staff reviewed sign-in lists for pre-bid meetings and identified attendees who subsequently chose not to submit a bid. City procurement staff surveyed these entities on a confidential basis to determine if the requirement to provide the required payroll records was a factor in their decisions not to pursue the contract.

None of the potential bidders who attended a pre-bid meeting cited the City Prevailing Wages requirements as one of the factors for them ultimately deciding not to submit a bid. Common reasons cited for not submitting a bid after attending the pre-bid meeting included being a subcontractor on another primary contractor's bid, the City's schedule requirements, and that they attended the pre-bid meeting as a material supplier looking to work with or partner with a primary contractor for the project. Based on the survey performed, the City's Prevailing Wage requirements were not an impediment to any of the potential bidders.

### **Costs**

As part of the process of tracking prevailing wage compliance, City staff also tracked the cost of implementing these procedures. This was done in two ways as described below.

The first cost that was tracked was additional costs by the contractor for providing the required documentation. Typically, if a contractor had extra costs for providing such documentation, it would be rolled into the cost for another item of work in the contract. In order to attempt to separate out these costs, an additional item of work was added to many of the contracts titled "Certified Payroll Compliance and Reporting". A compilation of the bid prices for this item of work indicated a range of \$0 to \$30,000. This represented an increase in the contract costs of 0.0 to 1.1%.

The second cost that was tracked was the cost of staff and consultant time to train, collect documents for all projects, review certified payroll reports and wage rate interview forms, and report back on prevailing wage compliance. Throughout 2020, approximately 254.35 staff/consultant hours were spent on this effort, resulting in a cost to the City of \$46,188.71.

### **Conclusion**

For the 2020 construction season, the contracts reviewed met the prevailing wage requirements. In four years of collecting data, contractors who have consistently worked in the City have had virtually no major problems and have been found to be paying proper prevailing wages. Staff proposes to collect data for one more year in 2021, and then make recommendations to modify the data tracking efforts for future years based on the data collected.