



MEMORANDUM

TO: Mayor and Council
FROM: Howard S. Lazarus, City Administrator
DATE: January 9, 2018
SUBJECT: Prevailing Wage Update

This memorandum provides the one-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. This document is attached for your convenience.

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. The following is submitted to satisfy this requirement.

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 2017 construction season. City staff and/or consultants reviewed these records for compliance with the appropriate prevailing wage rates. All the contracts were reviewed and compiled with prevailing wage requirements.

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 13 contracts in 2017, which included all prime contractors and "first tier" subcontractors. Based on staff's review of the certified payroll records and wage rate interviews, there was one apparent instance discovered of a company not paying the appropriate prevailing wage. In this particular case, the correct

wages had actually been paid to the employees, however due to an error in the company's payroll system, it was reported incorrectly on the certified payroll documents submitted to the City. Once identified, the error was promptly corrected.

At the time of this writing, several contractors had not submitted all the required documentation. The project managers for these projects are holding retainage from these contractors until the appropriate documentation is submitted and reviewed.

Also, as referenced in the February 14th 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 pre-bid/pre-solicitation meetings cited the City Prevailing Wages requirements as a factor for ultimately deciding not to submit a bid. Reasons cited for not submitting a bid included being a subcontractor on another primary contractor's bid, the City's schedule requirements, and that they attended the pre-bid/pre-solicitation 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 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 \$25,000.00. This represented an increase in the contract cost of 0% to 0.6%.

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 2017, approximately 91 staff/consultant hours were spent on this effort, resulting in a cost to the City of \$8,500.79.

Conclusion

For the 2017 construction season all the contracts reviewed met the prevailing wage requirements. As 2017 was a relatively "light" year for construction contracts, the outcome and cost of monitoring may not reflect an average construction season. It is suggested that the effort continue for 2018.

Attachment

cc: Craig Hupy, Public Services Area Administrator
Nick Hutchinson, P.E., City Engineer
Marti Praschan, Chief of Staff, Public Services
Tom Crawford, CFO
Colin Spencer, Purchasing Manager



MEMORANDUM

TO: Mayor and Council Members
FROM: Howard Lazarus, City Administrator
DATE: February 14, 2017
SUBJECT: Enforcement of Prevailing Wage Requirements

PURPOSE: This memorandum provides a response to Council Resolution R-16-469, which directed the City Administrator to respond within ninety days to develop new administrative policies, where necessary, and to develop practices for better and more transparent implementation of applicable policies to:

1. Increase public improvement project bidder knowledge and understanding of the City's prevailing wage requirements.
2. Ensure that Ann Arbor construction bid documents for public improvement projects include clearly the prevailing wage requirements, and a plain and obvious reference or link to an appropriate resource with the applicable rates; and
3. Require contractors who are subject to the prevailing wage requirements to provide the City of Ann Arbor with payroll records sufficient to demonstrate contractor compliance with the prevailing wage requirements; and

Report back to Council one (1) year further after implementation of the foregoing policies regarding the administration of such policies and contractor prevailing wage compliance.

ADMINISTRATION: Pursuant to and in compliance with the above direction from Council, the following actions being taken:

- City Policy 204, Purchase of Goods and Services, is being revised to add the following:

Section 5.1.6 Prevailing Wage Compliance. All solicitations for projects that include federal, state, and/or local government funds with a contract value in excess of \$10,000 for the construction, alteration, or repair of public buildings/facilities or public works shall include the requirement to pay the greater of local prevailing wages or living wages to the covered trades involved who are directly involved in construction activities. Solicitation documents will provide a plain and obvious reference or link to the appropriate resource with the applicable rates and will specify the appropriate wage rate classification(s) (i.e. heavy, highway, building, or residential). If multiple classifications pertain to a contract, the City will specify which rate will be applied. City project and contracting staff will include and highlight the requirement to pay the appropriate wage during all pre-bid/pre-solicitation meetings.

On contracts where prevailing wage rates apply, contractors will provide payroll records compliant with applicable laws and sufficient to demonstrate contractor compliance with prevailing wage

requirements. City staff will review the payroll documents and will conduct required and appropriate wage rate interviews. In cases where there is no requirement to comply with federal or state law, the City will require contractors to provide payroll records for the prime contractor and all “first-tier” subcontractors.

As a means of monitoring the administration and gathering for the one-year follow-up report, the City will implement the following measures:

- For contracts solely funded by local sources and for which certified payrolls are not required to meet federal or state law, the City is amending its contract form to insert a bid item for the cost of compliance. The City will track the additional cost associated with compliance.
- The City will review sign-in lists for pre-bid/pre-solicitation meetings and identify attendees who subsequently chose not to submit a bid/offer. City procurement staff will survey these entities on a confidential basis to determine if the requirement to provide the required payroll was a factor in their decisions not to pursue the contract. This data will be compiled and included in the follow-up report.

CONTACT: As the City Administrator, I am the primary point of contact for this action. Please do not hesitate to call or e-mail if you have any questions or if I can provide additional information.

DISTRIBUTION:

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