

Agenda Report

December 15, 2014

TO: Honorable Mayor and City Council

Through: Legislative Policy Committee (December 10, 2014)

FROM: Department of Finance

SUBJECT: ADOPT A RESOLUTION EXPRESSING PASADENA'S INTENT TO COMPLY WITH CALIFORNIA SENATE BILL NO. 7 RELATING TO PREVAILING WAGE LAW FOR LOCALLY-FUNDED PUBLIC WORKS PROJECTS AND INSTRUCTING ALL CITY DEPARTMENTS AND OPERATING COMPANIES TO PAY THE STATE PREVAILING WAGE RATE FOR ALL PUBLIC WORKS

RECOMMENDATION:

It is recommended that the City Council adopt a resolution expressing the City's intent to comply with California Senate Bill 7 relating to prevailing wage law for locally-funded public works projects and instructing all City Departments and Operating Companies to pay the State of California's prevailing wage rate for all public works as defined by the State of California Department of Industrial Relations

BACKGROUND:

Effect January 1, 2015, Senate Bill 7 (SB7) requires that, except as specified, not less than the general prevailing rate of per diem wages, determined by the Director of Industrial Relations, be paid to workers employed on public works projects.

This bill prohibits charter cities from receiving or using state funding or financial assistance for a construction project if the city has a charter provision or ordinance that authorizes a contractor to not comply with prevailing wage provisions on any public works contract. The bill, except as specified, prohibits a charter city from receiving or using state funding or financial assistance for a construction project if the city has awarded, within the prior 2 years, a public works contract without requiring the contractor to comply with prevailing wage provisions. This bill authorizes charter cities to receive or use state funding or financial assistance if the city has a local prevailing wage ordinance, resolution,

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or policy applicable to all of its public works contracts, that includes requirements that are equal to or greater than the state's prevailing wage requirements, as specified. This bill would exclude contracts for projects of \$25,000 or less for construction work, or projects of \$15,000 or less for alteration, demolition, repair, or maintenance work. This bill requires the Director of Industrial Relations to maintain a list of charter cities that may receive and use state funding or financial assistance for their construction projects.

"Existing law defines 'public works' to include, among other things, construction, alteration, demolition, installation, or repair work done under contract and paid for, in whole or in part, out of public funds, and by the authority of any officer or public body of the state, or of any political subdivision or district thereof, whether the subdivision or district operates under freeholder's charter or not."

This bill does not restrict a charter city from receiving or using state funding or financial assistance that was awarded to the city prior to January 1, 2015, or from receiving or using state funding or financial assistance to complete a contract that was awarded prior to January 1, 2015, and a charter city will not be disqualified from receiving or using state funding or financial assistance for its construction projects based on the city's failure to require a contractor to comply with prevailing wage provisions in performing a contract the city advertised for bid or awarded prior to January 1, 2015.

"State funding" or "financial assistance" includes direct state funding, state loans and loan guarantees, state tax credits, and any other type of state financial support for a construction project. State funding or financial assistance does not include revenues that charter cities are entitled to receive without conditions under the California Constitution.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

FISCAL IMPACT:

Since prevailing wages are generally higher than the city's current living wage, it is expected that there will be an increase in costs to the City for complying with SB7. Most of the projects that will be directly affected by SB7 are in the Department of Water and Power. While it is difficult to determine the specific financial impact that SB7 will have on City contracts, based on some previously bided projects it can be anticipated that the increase in cost could range between 5 and 10 percent. Conversely, there is a potentially greater cost in not complying

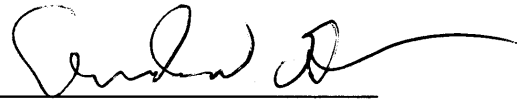
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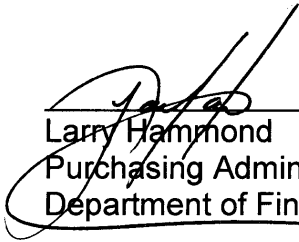
with SB7 with the potential loss of state funding. A preliminary estimate would be in excess of \$6 million based on the FY 2015 budget, however, the interpretation of "State funding" or "State financial assistance" could be more broadly interpreted by the State.

Respectfully submitted,



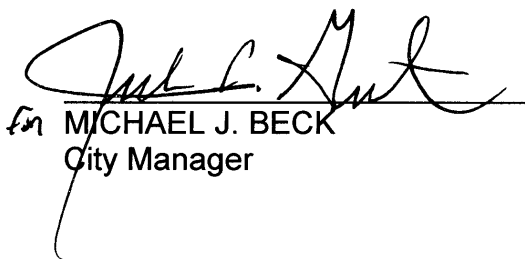
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for MICHAEL J. BECK
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