



ASSOCIATED GENERAL CONTRACTORS OF AMERICA

SAN DIEGO CHAPTER, INC.

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October 14, 2015

Board of Trustees
Grossmont-Cuyamaca Community College District
8800 Grossmont College Drive
El Cajon, CA 92020

Dear School Board Trustees:

It is my understanding that the Grossmont-Cuyamaca Community College District is considering negotiating a Project Labor Agreement (PLA) with the San Diego Building and Construction Trades Council (SDBCTC) for future construction projects funded by Proposition V.

This letter presents a perspective to your PLA deliberations of a General Construction firm that has completed more than 50% of the construction work built under the San Diego Unified School District's (SDUSD) Project Stabilization Agreement (PSA), a PLA that was negotiated with the SDUSD and the SDBCTC in 2009. Our firm also adds the perspective of having completed millions of dollars of construction for school districts that do not negotiate PLAs as part of their construction programs. **You need to add 10-15% to the construction budget of each project you are going to build if you adopt a PLA for Proposition V Projects.**

Please consider the following:

1. Subcontractor Participation on Projects Requiring a PLA

Our firm, and similar General Contracting firms, typically subcontract 90-100% of the actual construction of school projects requiring a PLA. The subcontractors in the Southern California market that consider school work are seldom signatory to union agreements for their work. If they bid a PLA school project, they will sign a labor agreement for the specific project only, not for all of their work. Most of these subcontractors perceive PLAs as introducing more risk into the project. Many choose to bid school PLA projects only if there is a dramatic lack of non-PLA work in the market.

San Diego, and all of Southern California are entering into an "up market." There are numerous non-PLA projects for these subcontractors to pursue. We expect this "up market" to last into the immediate future. This will be a cost/budget problem for Districts that sign PLAs. Fewer subcontractor bidders will raise the cost of construction by limiting competition.

2. Subcontractor Workforce

PLAs typically restrict the number of craft employees regularly employed by the subcontractor on each PLA project. Typically, only 10-25% of the subcontractor's craft workforce on a PLA job may be the subcontractor's regular workforce. 75%-90% of the craft workers the subcontractor hires must come from the union hall.

The problem is these craft workers have never worked for the subcontractor in the past. Working with a new workforce on every PLA job decreases productivity. Each contractor has a system they use on the jobsite that is learned by their craft workers. When a significant number of "new" craft workers are forced upon the subcontractor, the subcontractor either passes on bidding the project or builds in a significant price increase to accommodate the risk posed by unfamiliar new employees.

3. Subcontractor Core worker Health Insurance and Pension Benefits

When the subcontractor is able to employ some "regular" (Core Workers) craft workers of the firm on PLA projects another serious problem develops. Because of the PLA, these "Core Worker" craft employees lose either their company provided health and pension benefits or the funds that were provided to purchase these benefits.

Under a PLA, all funds designated for these benefits go to the union craft fringe benefits funds. While a mechanism exists at SDUSD to accept the benefits provided by the employer for Core Workers none have ever been accepted. The "Core Workers" seldom, if ever, accumulate enough hours to gain eligibility in the health plans and never gain enough hours to collect a pension benefit. Obviously, this reduces subcontractor interest in the project and lowers the number of bidders. Taking family health coverage from your employees to work on one of these projects is very difficult for most subcontractors.

Subcontractor interest in your program is an important key to success for your upcoming projects. For the reasons detailed above, Soltek Pacific Construction Company urges you to increase your construction budget by 10-15% if you adopt a PLA. Remember, we are not a trade association, or a union detailing information about the effect of a PLA on your projects. We are a General Contractor that has worked for several years on PLA projects in San Diego. We know better than anyone how a PLA will affect your project.

Sincerely,



Stephen W. Thompson
CEO/President
Soltek Pacific Construction Company

c: Chancellor Cindy Miles