



U.S. Department
of Transportation

Federal Highway
Administration

Memorandum

Subject: **ACTION:** Special Experimental Project No. 14
Pilot Program for Local and Veteran's Hiring
Incentive - Revised

Date: September 28, 2015

From: Thomas D. Everett
Director, Office of Program Administration
Washington, DC

In Reply Refer To:
HIPA-30

To: Vincent Mammano
Division Administrator
Sacramento, CA

We are pleased to approve the revised request by the San Bernardino Associated Governments (SANBAG) to use a geographic labor hiring preference and veterans hiring preference on the 1-10 Pepper Avenue Interchange project under the provisions of Special Experimental Project No. 14 (SEP 14). The SANBAG proposal is being advanced in response to the pilot [Contracting Initiative](#) announced by the U.S. Department of Transportation in a Federal Register Notice on March 6, 2015, intended to promote innovative contracting practices.

We reviewed the September 16 email sent by Steve Pyburn of your staff, which contained SANBAG's September 1 letter to Sylvester Lin of the California Department of Transportation Division of Local Assistance submitting the revised work plan, contract provision and Local Hire Residency and Veterans Certification Form for review. Our office approved the initial work plan on August 3, 2015. SANBAG's September 1 cover letter provided the following justification for the changes and the new incentive amount:

- The existing local hiring percentage on recently completed projects ranged from 17.2% for N. Milliken Grade Separation, to 21.7% for I-10/Riverside Interchange, to 27.8% for Citrus Ave.
- Taking these existing percentages into consideration, it was decided to set the goals and incentive as follows (**Corresponding goals and incentive from workplan approved August 3**):
 - Goal to increase the local hiring percentage to 40% (**None**)
 - Minimum local hiring percentage to obtain incentive 20% (**None**)
 - Incentive \$5.00 per hour (**\$3.50/hour**)
 - Maximum amount of incentive, \$50,000 (**\$50,000**)

FHWA approves the proposed use of geographic labor hiring preference and veterans hiring preference provisions on a Federal-aid project under the experimental authorities of 23 U.S.C. 502 and SEP-14. FHWA also approves the proposed use of the hiring preference incentive provision, as the incentive costs associated with the approval are eligible for participation as surface transportation workforce development and training costs, authorized by 23 U.S.C. 504(e), which provides for the use of Federal-aid formula funds for surface workforce development and training.

The workplan is approved, subject to the following conditions:

- A. We recommend that the local hiring percentage goal of 40 percent be consistently noted in the revised workplan and in the contract Special Provision. In addition, we recommend that SANBAG include any necessary definitions, procedures, methods of measurement, and other language in the contract Special Provision regarding the goal.
- B. In addition, the conditions of approval noted in our August 3 approval are below, as well as the (***Disposition of these comments in the revised workplan***):
 1. SANBAG finalizes and submits to FHWA for information the amount of the incentive. ***This requirement was met with the above submission.***
 2. As a method of evaluating the impact of the incentive on competitive bidding, SANBAG should plan to interview Contractors that bid on the project or purchase bid sets. Also, the number of bids received for this project will be compared against a suitable number of projects of similar scope and cost, including those recently constructed or scheduled to be awarded a few months after the subject project. This would include the SR-210/Pepper Interchange project. ***This language was inserted into the workplan, but is inserted twice: once in the fourth paragraph of Section E and once in the third paragraph of Section E.3). It would best be only stated once.***
 3. SANBAG will supplement the contractor interviews with an analysis of bid data from a suitable number of projects of similar scope and cost. This data analysis would include, but is not necessarily limited to comparisons of:
 - a. Unit cost information of major items
 - b. Unit cost information of items expected to utilize labor hired under the Local and Veterans Hiring Preference Incentive Plan
 - c. Total bid cost

Except for Item 3.c, this revision was not included in the revised workplan. We recommend the inclusion of Items 3.a and 3.b.

If you have any questions, please contact the following:

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