

Local Labor Hiring Preference SEP-14 Workplan

For

Thornton/Lansing Road at Stony Island Avenue Intersection Reconstruction

Special Experimental Project No. 14 (SEP-14) Workplan to Evaluate the Use of Local Labor Hiring Preferences

Illinois Department of Transportation, Illinois

Location: Thornton/Lansing Road at Stony Island Avenue, Village of Lansing

Federal-aid Project Number:

Local Project Number: IDOT CN# 62721

A. Introduction

[Provide a brief general statement that introduces the basis for the SEP-14 proposal.]

The Illinois Department of Transportation (IDOT) submits this work plan for FHWA review and approval as a publically bid project incorporating a Local Labor Hiring Preference (LLHP) contract provision. This workplan is provided under the Notice: [Contracting Initiative](#) announced in the March 6, 2015 Federal Register.

Historically, FHWA prohibited its recipients from using LLHP provisions that do not directly relate to the bidder's performance of work. IDOT is requesting FHWA's approval for the use of these provisions on a Federal-aid project for the reconstruction of the intersection of Thornton/Lansing Road at Stony Island Avenue under the experimental authorities under 23 U.S.C. 502 and SEP-14.

In the transmittal letter requesting SEP-14 approval of this workplan, the IDOT has provided a conforming certification required by Section 192 of Title I, Division L of the Consolidated Appropriations Act, 2016 (the Department of Transportation Appropriations Act, 2016), "the FY 2016 Appropriations Act."

B. Purpose

[Provide a description of the reason for developing the proposal.]

Many local governments recognize the importance of encouraging local hiring through their capital program construction contracts. While FHWA has viewed such requirements as a constraint on competition, the Contracting Initiative announced in March 2015 provides Federal-aid recipients with an opportunity to evaluate such requirements on federally assisted construction projects on a pilot-project basis. These requirements have a variety of worthwhile local objectives, such as ensuring that the communities in which the projects are located benefit from the jobs that result from the investment of their funds, particularly for workers in low income areas.

This pilot project will enable IDOT to evaluate the effectiveness and efficiency of the use of Federal-aid and local funds in achieving the desired objectives.

C. Scope

[Provide a description of the project(s) covered by the proposal. If the proposal is for all projects meeting specific criteria, provide a description of the criteria to be used.]

The reconstruction of the intersection of Thornton/Lansing Road at Stony Island Avenue is an approximate \$2 million reconstruction project. The scope of work involves widening and resurfacing, the addition of left turn lanes on all four legs of the intersection, and the addition of a right turn lane to the west leg. The existing pavement will be milled and resurfaced, and permanent traffic signals will be installed.

Approximately, \$1.6 million of the total project amount will be funded by FHWA. This project is typical of other IDOT Intersection Reconstruction projects completed over the past ten years and will provide a suitable project for comparison purposes.

In addition, IDOT proposes to use a contract provision that requires at least 20% of all contract labor hours that are performed must be performed by residents of the Village of Lansing, Illinois or reside within 10 miles north, south, or west of the Village border. The Contractor will receive an incentive of \$3.50 per hour for each local labor hour used on the project with a not to exceed incentive amount of \$15,000. The contractor shall not displace any of its existing employees in order to satisfy such hiring preference. See Attachment A for additional details.

D. Schedule:

[Provide key dates for the project(s). If specific projects are not known at the time of the proposal, provide anticipated dates and describe the methods to be used to track projects meeting the criteria.]

An estimated schedule for the project follows:

- Advertisement: January 29, 2016
- Letting: March 4, 2016
- Award: April 15, 2016 (est.)
- Project completion: October 31, 2016

E. Evaluation Measures:

[An important part of the pilot is to measure and evaluate the effectiveness and efficiency of the proposed local preferences. The following six criteria must be addressed within the proposal. Items 1-5 were taken directly from the Federal Register Notice that established the pilot program.]

IDOT will evaluate the following criteria (as referenced in [USDOT Q&A # 21](#)), to determine the effectiveness and efficiency of this pilot project:

- 1) Describe the project(s), including the amount of FHWA funding involved in the as well as the estimated total project cost.**

See the “Scope” section above.

- 2) Describe the proposed contracting requirement that may otherwise be found to be inconsistent with the general requirement for full and open competition.**

IDOT proposes to utilize a LLHP contract provision on the proposed project that will require that at least 20% of all contract labor hours that are performed must be performed by residents of the Village of Lansing, Illinois or reside within 10 miles north, south, or west of the Village border. (see the attached contract provision for details). The contractor shall not displace any of its existing employees in order to satisfy such hiring preference. Contract labor hours performed by non-Illinois residents will not be restricted.

Additionally, the Contractor will receive an incentive of \$3.50 per hour for each local labor hour used on the project with a not to exceed incentive amount of \$15,000.

Previous discussions with State DOT and FHWA staff have indicated that the use of such provisions were limited by the competitive bidding requirements of Title 23 U.S.C.; however, IDOT is interested in evaluating this requirement on a Federal-aid project on a pilot project basis under SEP-14.

- 3) Describe how the applicant will evaluate the effects of relevant contracting requirements on competitive bidding. In doing so, the applicant should, at a minimum, provide comparisons of bids received for the projects utilizing the relevant contract requirements to other projects of similar size and scope and in the same geographic area not utilizing such requirements. If a reduction in the pool of bidders is evident, explain the potential offsetting benefits resulting from the use of the requirement.**

As this project is similar in size and scope to other IDOT road reconstruction projects, a comparison with similar size and scope projects (projects using the preference and projects not using the preference) will be provided based on the following evaluation criteria:

- The number of bidders (including the location of the home office) - An explanation will be provided for the apparent increase or decrease in the average number of bidders. Specific competitive reasons (e.g. other bidding opportunities, apparent risk, etc.) will be provided for the increase / decrease in competition. The evaluation will discuss the impact on the number of bids received by local and non-local firms.
- A comparison of the impact of the LLHP requirement on the workforce will be made by comparing the percentage of total local labor hours on the pilot program with the percentage typically achieved on a similar Federal-aid project that did not use the LLHP provision. An explanation of any significant differences will be provided.

4) Describe and quantify how the proposed contracting requirement would lead to increases in the effectiveness and efficiency of Federal funding for the project(s).

An analysis of the effectiveness and efficiency of the LLHP requirement will be made through an analysis of the following information:

- A comparison of unit bid prices - An evaluation of the unit prices for five bid items with the highest total value on the pilot project will be compared to unit prices for projects with a similar size and scope.
- The prime contractor will be interviewed at the conclusion of the contract to obtain its opinion of the effectiveness and efficiency of the LLHP provision on its construction operations and to discuss any potential concerns or recommendations for the program. This will provide one measure of the relative efficiency of the contractor in meeting the contract requirements.
- IDOT will provide an evaluation of the net economic benefit of employing additional local residents by analyzing the potential monetary benefits that might be related to the receipt of funds from other federally assisted programs (e.g. reductions in local unemployment rolls, payments for uninsured health insurance costs, etc.). The economic analysis will address the extent to which other Federal funds may be impacted by reducing unemployment in the local workforce.
- IDOT will provide an evaluation of the potential increase in the pool of skilled labor available to all contractors.

5) Describe and quantify how the proposed experimental contracting technique would protect the integrity of the competitive bidding process either in connection with the particular contract or when considered over the long term for that agency's program.

IDOT is committed to maintaining the integrity of the competitive bidding process. To that end, IDOT, in cooperation with the FHWA, has approved the project administration procedures, and IDOT will administer its own state and federally-funded projects. The administration encompasses the project development process from “cradle to grave”, and in particular, addresses the process from PS&E approval through project letting and award of contract.

This will be the first instance in which IDOT has used the Local Labor Hiring Preference on a federally funded project. Should there be any issues in maintaining the integrity of its competitive bidding process, IDOT will utilize its project administration process, and will work with the FHWA to provide satisfactory safeguards.

6) Describe whether or not the proposed contracting requirement has been the subject of litigation or whether litigation surrounding the use of the requirement has been threatened.

This will be the first time that IDOT will utilize LLHP requirements. There has been no litigation or threats of litigation to date.

F. Reporting

[Periodic reporting on the status of the SEP-14 proposal is important. Flexibility is provided to the proposer to determine the frequency of reporting. At a minimum, initial and final reports are required.]

The Illinois Department of Transportation will prepare and submit initial and final evaluation reports for the project. The initial report will be prepared shortly after the award of contract. The initial report will include a description of any concerns raised by stakeholders following approval of the proposal and any identifiable effects on the bids received.

A final report will be submitted upon completion of the contract. The final report will contain an overall evaluation of the contracting technique along with any suggestions and recommendations for improving the process.

Both reports will include

- Evaluations and analyses of issues discussed in Sections E3 and E4 above
- Discussion of other related issues arising during the contract and their resolution

Attachment A – Contract Provision

NOTICE TO BIDDERS

1. At least 20% of all contract labor hours that are performed must be performed by residents of the Village of Lansing, Illinois or reside within 10 miles north, south, or west of the Village border. The contractor shall not displace any of its existing employees in order to satisfy such hiring preference.
2. At the start of construction, the contractor shall submit a plan to meet the item 1 requirement and provide a weekly report on progress for weeks when work is performed. The report shall include all of the contractor employees and subcontract employees working on the project, their current residency, and whether the residency is within the geographic limits. Any discrepancy from certified payrolls must be clearly explained in the weekly report. .
3. The Contractor will receive an incentive of \$3.50 per hour for each local labor hour used on the project with a not-to-exceed incentive amount of \$15,000.00. The incentive will be paid after the project is more than 90% complete, and the Department estimates that the item 1 requirement will be met or exceeded.