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PROJECT DELIVERY**

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November 1, 2016

FHWA CA Division - Calsouth Office
Attn: Omar Elkassed
888 S. Figueroa St, Suite 750
Los Angeles, CA 90017

Subject: **SPECIAL EXPERIMENTAL PROJECT NO. 14
PILOT PROGRAM FOR LOCAL HIRING INCENTIVE -INITIAL REPORT**

Dear Mr. Elkassed:

On March 4, 2016, we received Federal Highway Administration (FHWA) approval of the Local Labor Hiring Preference (LLHP) SEP-14 Pilot Program workplan for the Interstate 5

(I-5) pavement rehabilitation project, contract number 07-300704. The pilot project is located in the cities of Commerce and Los Angeles, from the I-5/I-710 Separation to the Main Street Undercrossing (LA-5-13.8/19.2).

The contract for the pilot project was approved on June 20, 2016. The pre-construction conference for the pilot project was held on August 2, 2016. At the conference, the resident engineer discussed the LLHP incentives allowed on this project with the contractor, Security Paving Company, Incorporated. The resident engineer passed out the required LLHP incentive forms to the contractor and encouraged the contractor to consider to meet the incentives and to timely supply the required completed forms during the work. The contractor mentioned there are no concerns with the LLHP incentive provisions and it is their intention to qualify for the LLHP incentives in accordance with the specifications.

The pilot project is being compared with a similar comparable project (contract number 07-302604) in the cities of Diamond Bar, Pamona, and San Dimas on Route 57 (LA-57-R4.4/R12.1). The comparable project is also a pavement rehabilitation project that was approved on August 11, 2016. The comparable project is similar to the pilot project in type, size, complexity, and contract approval date, except the contract excludes a LLHP incentive.

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We are submitting this Initial Report per stipulations of the approved workplan. The following were findings of the pilot and comparable project evaluations:

- There were no concerns raised by stakeholders regarding the LLHP incentive provisions since workplan approval. There were no bidder inquiries raised by prospective bidders regarding the LLHP incentive provisions before bids were opened on April 26, 2016. In addition, there were no concerns raised by the contractor after award of the contract or during the pre-construction conference.
- Bidders on the comparable project who did not bid on the pilot project were interviewed to determine if the LLHP incentive deterred them from bidding on the pilot project. Their answers reflected there was no deterrence due to the LLHP incentive provisions and no identifiable effects of the LLHP incentive provisions on their decisions to not bid.
- There were four bidders for the pilot project (contract number 07-300704) with LLHP incentives, and the low bid was 4.45 percent above the Engineer's Estimate. In comparison, there were seven bidders for the Route 57 pavement rehabilitation project, the comparable project (contract number 07-302604) without an LLHP incentive, and the low bid was 13.06 percent below the Engineer's Estimate (see attachments "A - Bidder Analysis, Pilot," "B - Bidder Analysis, Comparable," and "C- Bidder Comparison").
- On average, the home offices of bidders on the pilot project (contract number 07-300704) were at a slightly closer proximity to the pilot project site location than the home offices of bidders on the comparable project (contract number 07-302604) were to the comparable project site location (see "Attachment C - Bidder Comparison").

These findings show number of bidders were comparable on the two contracts and the bid amounts to be within acceptable ranges of the Engineer's Estimates. Based on the findings above, the minor discrepancies were probably due to various circumstances other than the LLHP incentive provisions.

This SEP-14 Initial Report has been coordinated with FHWA staff. Should you have any questions or require additional information, please contact Perry Mayer, Office of Contract Administration and Risk Management at perry.mayer@dot.ca.gov or at (916) 653-2032.

Sincerely



KARLA SUTLIFF

Chief Engineer
Project Delivery

Attachments (3)

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c: Jean Mazur-FHWA
Matthew Schmitz-FHWA
Rachel Falsetti, Chief, Division of Construction
Andrew Alvarado, Chief, Office of Contract Administration
Perry Mayer, Office of Contract Administration