

June 28, 2016

California Department of Transportation Division of Local Assistance  
Attn: Sylvester Lin  
464 W. 4th Street, 6th Floor MS 760  
San Bernardino, CA 92410

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

Dear Sylvester Lin:

San Bernardino Associated Governments (SANBAG) formally submits the attached report for your review and use. SANBAG is utilizing the SEP-14 Pilot Program for the I-10 Pepper Avenue Interchange project. This initial report summarizes the industry reaction to the incentive program and any identifiable effects on the bids received.

I am the designated point of contact regarding this work plan. Should you have any questions please concerning this report please contact me at (909) 884-8276 and via email at [jhill@sanbag.ca.gov](mailto:jhill@sanbag.ca.gov).

Sincerely,



Jeffery Hill  
San Bernardino Associated Government  
Procurement Manager

Special Experimental Project No. 14 (SEP-14) Evaluation of the Use of Local Labor and Veteran Hiring Preferences

San Bernardino Associated Governments acting as the San Bernardino County Transportation Commission (SANBAG)

Location: I-10 Pepper Avenue Interchange

Federal-aid Project Number: 0800000789

Caltrans Expenditure Authorization: 08-497101

Local Project Number: 15-1001238

**Background:**

San Bernardino Associated Governments acting as the San Bernardino County Transportation Commission (SANBAG) submitted a work plan for approval to utilize a geographic labor hiring preference and veterans hiring preference under the provisions of Special Experimental Project No. 14 (SEP 14) for the use of innovative contracting practices. SANBAG has traditionally used the lowest responsible and responsive bid based procurement for construction of public works projects. This is SANBAG's first project that will utilize the pilot program.

On September 28, 2015, SANBAG received the Federal Highway Administration's (FHWA) approval to use geographic labor hiring preference and veterans hiring preference provisions on a Federal-aid project under the experimental authorities of 23U.S.C. 502 and SEP-14. FHWA also approved the proposed use of the hiring preference incentive provision.

The pilot program will allow the Contractor to be reimbursed \$5.00 per hour as an incentive for each hour of work performed by qualified local/veterans on the project in excess of 20% of total Prevailing Wage hours, not to exceed the amount of \$50,000.00 in the totality for the project.

Project Description: The I-10 Pepper Avenue Interchange project (Project) will widen Pepper Avenue from three lanes to five; lengthen turn lanes to improve queue storage; and improve the intersections to facilitate traffic flow. The project would replace the existing I-10 Pepper Avenue Bridge and would correct existing features that do not meet Caltrans and ADA standards.

**Status:**

The construction contract was awarded to MCM Construction, Inc. (Contractor) in the amount of \$6,846,810.00. The Notice to Proceed was issued on February 29, 2016, and construction started in April of 2016. Currently the project is 18% complete, and the Contractor is in the bridge foundation phase.

SANBAG's Construction Manager (CM) is tasked with gathering and reporting on the Contractor's progress of utilizing the incentive program. The CM's report for the May Certified Payroll indicates the following:

	This Time Period	Total
<b>No. of Certification Received</b>	2*	6
<b>Total Work Hours</b>	635.5	635.5
<b>Local Worker Work Hours</b>	192.0	192.0
<b>Veteran Worker Work Hours</b>	0	0
<b>Local/Veteran Hours vs Total Hours, %</b>		30.21%

\* Some of the verification documentation has not been provided by the contractor

### **Comparison:**

SANBAG evaluated the following activities and compared them to projects of similar size and scope:

- The number of local residents and veterans employed on the construction of the interchange project
  - Currently there are four to fourteen workers on the project at any given time. Six workers have submitted their Local Hire Residency and Veterans Certifications Forms
- Impact the incentive has on the response to the Invitation for Bids
  - SANBAG received ten bids for the I-10 Pepper Project. This is in line with previous solicitations that SANBAG has released
- Impact the incentive has on the construction cost
  - No effect was shown on the construction cost
- Impact on unit cost
  - No effect was shown on the unit cost

Comparable project (projects are larger than the Pepper Project):

- I-10 Riverside Interchange project (Eleven bidders, cost ranged from \$16.5 to \$21.3 million) - Awarded in January 2010
- I-10 Citrus Interchange project (Eight bidders, cost ranged from \$32.6 to \$38.8 million) - Awarded in February 2012
- I-10 Cherry Interchange project (Two bidders, \$49 and \$52 million) - Awarded in October 2012

### **Contractor Interviews:**

After the award of the contract, SANBAG contacted the bidders and interviewed each regarding the pilot program. SANBAG was successful in promoting the pilot program as all the bidders that were interviewed were aware of the incentive program. Only one bidder indicated their total bid price was reduced by \$30,000 because of the incentive program. The bidders felt they would have been able to take advantage of a portion of the program.

It was a consensus among the bidders and other contractors that the biggest hurdle for them to be able to utilize the incentive was the involvement of trade unions. Any contractor that is a "union shop" is unable to select which workers they want to hire. Contractors receive the next available worker from the trade union, regardless of where the worker lives.

**Summary/Opinions:**

The current project is showing promise of being successful with 30% local labor in the early stages of the project. Contractors do seem interested in utilizing the incentive but are unsure of how to get around the issue with the trade unions.

There is also a concern that due to the specialized nature of the projects that SANBAG typically administers, workers with the required knowledge and experience are limited. This issue could hinder the incentive program even if unions were not a factor. Smaller projects or less specialized projects may expand the potential pool of qualified workers.

If SANBAG were to use the pilot program on another project, SANBAG would like to find a way to encourage the incentive flow down to the subcontractors. However, at this time SANBAG doesn't have a suggestion on how to best implement the incentive flow down.

SANBAG will continue to monitor the Contractor and their progress with the pilot program.