

# OPEN SHOP GAZETTE

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In several of the past issues, we have mentioned various cities and counties that desire to become "Charter" cities and counties even to the extent that they hold special elections. To remind you, a Charter city or county is not required to pay prevailing wages on projects that do not involve any state or federal funding. The savings involved can be rather large and thus offset the expense of holding special elections. If you wish to read more about Charter cities or counties, please let us know and we will provide you with past editions.

This "Special Edition" of the Open Shop Gazette deals with a city that is a "Charter City" but still wants to pay prevailing wages and add millions of dollars of cost to a project, costs that the city will now pass on to their taxpayers.

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This article appeared in the *Orange County Register*, June 28, 2008 and was written by Sean Emery.

"Irvine. The City Council majority this week spoke in favor of imposing state prevailing wage requirements on Great Park projects but delayed a final decision on a change that city leaders hope will attract top contractors. Some fear the change would add millions in construction costs.

City officials previously considered Great Park projects exempt from prevailing wage requirements, which govern the hourly rates and benefits paid to workers on some public works projects.

For a project to be exempt, it must be a municipal concern that does not receive state or federal funds.

Councilman Larry Agran argued that without prevailing wage, lower-paying firms are able to underbid more qualified contractors. Agran pointed to the construction of the Great Park balloon, which he said the lowest-bidding contractor completed only with great difficulty and much assistance from Great Park staff.

"If you get a race to the bottom on wages, you get a race to the bottom on standards," Agran said. "When you have a quality workforce, it costs you more, but it saves you tremendous grief."

Regardless of the council's decision, prevailing wage requirements will be forced on the Great Park by 2010, staff said, when the city begins using redevelopment money to help fund construction. Sen. Barbara Boxer, D-Calif., during a recent visit to the Great Park, said she would seek federal money for the project, a change that also would trigger prevailing wage requirements.

But immediate compliance could add an estimated \$4 million to \$8 million to the cost of Great Park construction, according to staff reports, a 10 percent to 20 percent rise in costs.

A half-dozen building industry representatives urged the move to prevailing wages, arguing that potential cost overruns are offset by the use of better-trained contractors who can avoid costly, time-wasting delays.

Councilwoman Christina Shea opposed the move to prevailing wage, arguing that many quality city projects were built without the requirements.

Shea attributed the Great Park balloon difficulties to a tight construction schedule. "To say that unless you pay prevailing wage you are going to get junk is not the truth," Shea said.

The council will take up the wage debate again next month, along with a formal pre-qualification process for construction companies hoping to contract with the city.

"We want to make sure we are building a park with the best available resources and most qualified contractors," Councilman Sukhee Kang said. "You get what you pay for."

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On July 6, 2008, the following “letter to the editor” was published in response to the June 28<sup>th</sup> story.

“The Irvine City Council needs to do its job and seek value, not high wages for the Great Park work ahead.

It seems the rules of “implied value” in Marketing 101 – Simply because something “costs” more, it must be better – are in play behind the council’s chamber doors. Everyone reading this knows that is not always true; why don’t the Irvine council members know it?

Their task should not be to seek out the highest “wage payer” for the work ahead just because we taxpayers will be footing the bill, but rather seek out the best qualified firms to do the job, getting the best value for the money spent, having faith that they are compensating their people properly as they have to do in order to keep them in the super competitive marketplace we all fight to survive in.

Simply paying people more money per hour does not get a better product or even get it faster. The labor unions have shown us this time and again, as their projects continually cost more and more and take longer and longer. There is absolutely no guarantee that higher wages means better training or more timely delivery on projects, as some in your article suggested. It seems like the Irvine City Council just doesn’t want to do its due diligence in hiring the right firms, the ones that will bring the greatest value to the park, the ones that we taxpayers and this community deserve.

According to your article, Councilman Larry Agran argues that “lower wage-paying firms are able to underbid more qualified contractors.” His aim should be to only invite and accept bids from “qualified” contractors. Why does he even suggest they entertain non-qualified bidders? How does he know that paying a higher wage equates to being better qualified? Is it mostly true, but not when you make it “the rules by which to operate,” the only ones that apply to get in the door – in that case, then all parties must play by these rules, pay the higher wages, to be in the running, whether they are qualified or not. Simply show me that you pay the prevailing wage – earn my respect! Right.

As Councilman Sukhee Kang suggests, “You get what you pay for” is true to a point. But you can also be duped into paying much more than what is appropriate or necessary, which is the picture being painted here. Simply make it the rule of engagement, apparently the only one, and what else do they expect to get?

Councilwoman Christina Shea seems to be the only voice of reason as she says the idea that “unless you pay prevailing wages, you are going to get junk is not the truth.” Superior value exists, always has and always will without the heavy union-guided hand of organized labor.

This country’s foundation was established on fair business practices. Atop that foundation, we have built very few “prevailing wage” projects in comparison to all that has been built. Look around, enjoy the view – without the ugly spin of the prevailing winds of mandated wages and their “implied” level of quality and service.

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I did not want to report on these two articles until the Irvine City Council made their final decision and I could include that information to finish the entire story. On Saturday, July 26, 2008 the following article written by Sean Emery appeared in the *Orange County Register*.

“Irvine. The City Council has agreed to impose prevailing wage requirements on Great Park projects, a change meant to attract top contractors but that will likely add millions in construction costs.

Prevailing wage rules govern the hourly pay rates and benefits for various classifications of workers on public projects exceeding \$1,000.00. The California Department of Industrial Relations sets the requirements.

However, as a charter city, Irvine was able to exempt itself in 1998 from prevailing wage for municipal projects that do not receive state or federal funds.

Irvine officials previously argued that Great Park projects also were exempt from prevailing wage requirements, despite opposition from some of Orange County labor unions, which argued that it was a regional, not a municipal project.

More than a dozen Orange County builders and union representatives debated the merits of prevailing wage late Tuesday night, when the council took up the issue. Proponents said prevailing wage ensures well-trained and better-paid workers. Detractors argued that it prices out some construction companies and forces taxpayers to pay more for the same work.

Regardless of the council decision, Great Park projects would likely be forced to provide prevailing wage by 2010, when city redevelopment funds are slated to go toward construction.

Great Park leaders are also actively pursuing state and federal grants, which could also force the use of prevailing wage.

However, implementing prevailing wage requirements in the meantime is expected to add from \$4 million to \$8 million in extra costs, and increase of 10 percent to 20 percent.

The council majority – Mayor Beth Krom and council members Larry Agran and Sukhee Kang – argued that without the prevailing wage, lower-paying firms would be able to underbid contractors that are more qualified.

“It’s not the price you pay, it’s the end value you are getting back that is going to be a long-term benefit to you,” Kang said.

Council members Christina Shea and Steven Choi opposed the move to prevailing wages, arguing that the city needs to cut costs, not increase them.

Shea also pointed to several city projects constructed without the requirements, including the expansions of Harvard and Woodbridge community parks, as proof that the process was not needed to get qualified work.

“We should not be moving in a direction, when money is tight, to be spending more and paying higher wages,” Shea said.

Agran said adopting the prevailing wage would send a message to the public about the quality of Great Park Construction.

“We have a chance to do something new, something large, something exciting, something that commands national attention, and we want to do it right,” Agran said.”

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