



# LOCAL BUSINESS ENTERPRISE ADVISORY COMMITTEE

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April 21, 2017

Supervisor Mark Farrell  
San Francisco Board of Supervisors  
1 Dr. Carlton B. Goodlett Place, Room 244  
San Francisco, Ca 94102-4689

Re: Proposed City-Wide Project Labor Agreement Legislation

I am the Chair of the mayoral appointed San Francisco Local Business Enterprise Advisory Committee (“LBEAC”), whose members are responsible for advising the Mayor and the City Administrator regarding pending legislation that would affect our local small disadvantaged businesses’ ability to contract with The City. It is the position of the LBEAC that the proposed legislation attempts to fix a problem that does not exist and should not be enacted in its current form (if at all).

A City-wide Project Labor Agreement (“PLA”), especially one with such a low \$1 Million Dollar minimum threshold, would create, yet another barrier for LBEs to effectively compete on City Projects on a level playing field. A PLA would force our local small disadvantaged businesses to cover increased labor costs due to the typically higher union wage rates compared to the state prevailing wage rates set by the California Department of Industrial Relations (DIR). PLAs, by their very nature, would unfairly force LBEs to pay into union trust funds without any guaranteed return benefits—which is in addition to the retirement/other benefits our firms provide their staff. PLAs would adversely impact LBE contractors’ efforts to comply with San Francisco’s Local Hire ordinance requirements, forcing them to use union members that predominately live outside of San Francisco. Worse yet, the labor movement’s lack of inclusion continues, as even when an LBE contractor does become a union signatory, some are still targeted for labor compliance violations due to simply inter-union jurisdictional disputes. Likewise, our local small, non-union owner-operator trucking firms are forced to pay a “tax” just so that the teamsters do not harass and shut them down.

In fact, our concerns are similar to the conclusions of San Francisco Controller’s Office recent PLA report, noting:

“PLAs have had a “chilling effect” on competition because some nonunion contractors will not bid on PLA-governed projects for different reasons including potential increased costs and political disagreements. Decreased competition in bidding could result in higher project costs....The PLA should be designed as to not conflict with any existing City ordinances such as preferences for local businesses and resident workers....(and that the PLA threshold should only) be applicable at a level where there are no LBE preferences at a minimum, above \$20 million. Additionally, the PLA should provide ample opportunity for LBEs and non-union contractors to compete for awards by establishing a threshold that is high enough to allow LBEs and non-union contractors to compete for meaningful awards”

Furthermore, this drive to create of a City-wide PLA is duplicitous and wholly unnecessary. The Board of Supervisors and the Mayor continue to lead the nation in creating nationally recognized programs such as the City's Mandatory Local Hiring Requirement to ensure its local residents (with special emphasis on those living in our most disadvantaged communities) have a pathway to construction employment through the City Build program. Likewise, the City also requires all contractors comply with the City's Prevailing Wage (for field labor), Minimum Compensation (for office/professional staff), and Health Care Accountability requirements to ensure all contractor employees are paid the proper wage rates (set for San Francisco) and have adequate covered health care.

Finally, the City has never had any construction delays due to work/labor issues in over 30 years. While SF Public Utilities Commission and San Francisco International Airport have Project Labor Agreements ("PLAs") on select capital building programs where any delays may negatively impact the budget, DPW, nor any other construction contracting departments have needed PLAs. Again, there have been no work stoppages or disputes for decades.

In spring of 2016, your legislative aide Jess Montejano, came to our committee to request feedback on the then proposed legislation to enact a citywide Project Labor Agreement ("PLA"). The committee members expressed our deep concerns, many highlighted above, regarding the proposed legislation and the deleterious effect that a proposed city-wide PLA would have on small business in San Francisco. Mr. Montejano assured this committee that he understood the community's concerns, reassured us that our concerns would be conveyed to your office, and that any changes would be made to the legislation that would not affect small business. However, the PLA legislation was recently introduced without notifying/consulting us or making any promised substantive changes.

We recommend, at a minimum, amending the legislation to only cover single contracts estimated to cost \$25 Million or above, exclude all LBE subcontracts valued \$1 Million and below, allow the City to control all apprenticeship training requirements, class schedules and processes and require ALL TRADES (incl. list-trades) to sign MOUs with City Build.

All the problems the proposed PLA legislation claims to handle, are, in fact, already addressed in current City Policy and law. In addition, there are already existing studies documenting PLAs severe negative effects on small contractors. Most importantly, the City has not experienced ANY DELAYS due to labor/work stoppages in decades. However, this committee looks forward to the opportunity to work with your office in developing legislation that would better assist both our residents and local small business – especially those from our most disadvantaged communities – in participating on public works contracts.

Should you have any questions, please do not hesitate to contact me at 415 730-1900 or [mgalarza@yerba-buena.net](mailto:mgalarza@yerba-buena.net)

Respectfully,



Miguel Galarza  
Chair LBE Advisory Committee

CC: Mayor Edwin M. Lee  
Board of Supervisors  
City Administrator

