

FISCAL IMPACT STATEMENT FOR CITY MEASURE ON NOVEMBER 8, 2022 BALLOT

MEASURE D - CONTRACTING UPDATES. PROJECT LABOR AGREEMENTS FOR STATE FUNDING ELIGIBILITY

In addition to several other provisions, this ballot measure removes the June 2012 Proposition A directive prohibiting the City from requiring use of project labor agreements (PLAs) except when required as a contracting obligation or other condition of State or federal funding for City construction projects. This current measure removes the 2012 PLA prohibition but does not mandate use of PLAs.

Current State law prohibits a charter city from receiving State funding or financial assistance for any construction project if a charter provision, initiative, or ordinance limits that city's ability to require or use a PLA that includes certain State-mandated provisions. As a charter city, San Diego's 2012 PLA prohibition may expose the City to loss of State funds for construction projects, though to date there has been no such loss of State funds. The City has relied on the 2012 prohibition's exception to continue pursuing State funding for projects, but it is unclear whether courts would rule that the City's exception to the PLA prohibition is sufficient for continued State funding eligibility. Major State funding and loans awarded to the City for construction projects in fiscal years 2021 and 2022 were approximately \$123.4 million and \$697.0 million.

Uncertainty surrounding the 2012 Proposition A directive also raises the risk of litigation costs and related project delays. The only significant litigation to date was regarding certain labor requirements approved in 2018 for the City's Pure Water Phase 1 project. This litigation was filed in 2019, and a preliminary injunction ruling found the City violated the intent of Proposition A. The litigation resulted in City payment of a \$200,000 settlement and an estimated 4% project cost increase (based on historical trends) due to the 18-month delay.

Whether use of a PLA on a construction project would increase the overall cost of the project is debated. Some studies indicate PLAs increase project costs, while others conclude that PLAs do not increase, or may decrease, project costs. Certain common PLA requirements that may impact costs – such as payment of prevailing wages – are already required by the City regardless of whether a project has a PLA. Any PLA-related costs will depend on the magnitude and number of PLAs used for future City construction projects, which are currently unknown.

Given uncertainty regarding potential PLA impacts on overall project costs, the measure not mandating PLA use, and the unknown magnitude and number of future projects using PLAs, the fiscal impact of potentially adopting PLAs on future projects cannot be reasonably projected.

Lastly, software costs related to this measure's requirement to post PLA project demographic data and hours worked are expected to be **less than \$100,000 annually**. An undetermined cost for related collection efforts may also be incurred. There is also a requirement for a citizens' oversight board, preliminarily estimated to cost **\$175,000 annually**, depending on the duties of the Board as determined by the City Council.