

City of Alexandria, Virginia
FY 2023 Proposed Operating Budget & CIP
Budget Questions & Answers

March 22, 2022

Question:

Virginia Code 2.2-4321.2 allows the City to require project labor agreements in conjunction with public works projects. How would the fiscal impact of the inclusion of such agreements impact the City Manager's proposed Capital Improvement Program and what opportunities for additional Federal funding would such an agreement present?

Response:

Virginia Code 2.2-4321.2 provides the City with authority to require contractors to enter into Project Labor Agreements (PLAs) on public works projects. A Project Labor Agreement is a pre-bid or pre-hire collective bargaining agreement with one or more labor organizations that establishes the terms and conditions of employment for a specific construction project.

The exact impact of Project Labor Agreements is difficult to quantify, especially in the Northern Virginia area where they have not been commonly used in local public works projects. Considering the factors of a construction contract that a PLA would impact, including setting wage standards, and the resourcing of administrative and labor management responsibilities of the PLA, implementing PLAs on projects would likely result in increased costs for projects. A preliminary analysis released by Fairfax County VA in March 2021 forecasted the impact of PLAs to be as much as a 20% increase in project cost, depending on the project.

In addition to costs impacts, it is likely that implementing PLAs could impact the existing pool of bidding contractors in the greater Washington DC area, as they are not widely used yet in local public works projects, possibly reducing the number of qualified bidders available on public works projects.

An Executive Order on Use of Project Labor Agreements for Federal Construction Projects was issued on February 4, 2022. This order will require the use of PLAs on large-scale federal construction projects with a total estimated cost of \$35 million or more. In the policy discussion, the order specifically points to the benefit of PLAs on large-scale, complex, long-duration projects. There are exceptions to use of PLAs, if the agency determines it would not advance the Federal Government's interests in achieving economy and efficiency in Federal procurement. The order applies to only "direct federal procurement, which excludes construction projects financed through grant dollars to non-federal entities." The Executive Order lays out a timeline to allow development of the regulations governing the federal acquisition and for development of a training program for contracting officers.

The City does not currently have staff expertise in the use of and management of PLAs. Our current Federal grants do not require use of PLAs. Based on the new executive order referenced above, use of PLAs would not be included in grants to local entities. Determining the impacts of PLAs and recommended governing structures will require further study, the employment of outside expertise, and discussion with other localities and regional partners. This study is not currently resourced in the Proposed FY 2023 Operating Budget or Proposed FY 2023 – FY 2032 Capital Improvement Program. Staff's current rough estimate for resourcing this effort is that it would require about six months to

investigate and \$50,000 for consultant support. Once recommendations are developed, additional funds would be required for implementation.

It should also be noted that there are potentially overlapping efforts, impacts, and new requirements on bidders between the implementation of PLAs and ongoing discussions regarding the implementation of a Prevailing Wage Ordinance. Consideration of both efforts will require deliberate and extensive outreach to our vendor community.