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News Release
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Internal Documents Show San Diego Unified School District's Union-Only Construction Program Costing Taxpayers Millions of Dollars

In documents obtained from the San Diego Unified School District's Facilities Department, the construction industry has found that the District's union-only Project Stabilization Agreement (PSA) for construction projects financed by the \$2.1 Billion Proposition S bond measure has been a dismal failure. The document, prepared at the request of the firm hired by the District to "conduct a study of the impact and effect of the Projects Stabilization Agreement (PSA)," covers the bidding results of all construction projects bid utilizing Proposition S funding since its inception in 2009.

The PSA was negotiated between the San Diego Building and Construction Trades Council and the District in 2009. The first project imposing the terms of the PSA was bid in February 2010. Ten Proposition S projects were bid in 2009 before the PSA was implemented, and six other projects were bid in 2010 and 2011 that were not covered by the terms of the PSA. 17 projects were bid under the terms of the PSA in 2010 and 2011.

One of the documents, "Proposition S Construction Contracts Bidding Review," shows that on average the District is paying a 21.9% premium for projects bid under the union-only terms of the PSA. This 21.9% premium amounts to approximately \$16 million in additional construction costs that the District has incurred in the two years in which they have imposed the union-only condition on the projects. The document shows that while PSA project bids were 9.7% under the District's budget, the projects bid without the imposition of the union-only PSA were 31.6% under budget...a 21.9% difference. If this trend continues, the imposition of the union-only PSA could cost taxpayers over \$200 million in unnecessary construction costs.

Jim Ryan, Executive Vice President of the Associated General Contractors of America, San Diego Chapter, Inc., stated that "the reason for the 21.9% premium is obvious. On the union-only Prop S PSA projects, the District has only been able to interest an average of 5 responsive general contractor bidders, compared to 10 responsive general contractor bidders on Proposition S projects in which the PSA was not a condition of the contract. General contractors also tell us that the union-only PSA projects receive only about 50% of the subcontractor bids that the non PSA projects receive. When there are more bidders, the District receives better construction bids. It's that simple."

Scott Crosby, CEO of the Associated Builders and Contractors, San Diego Chapter, noted that “the District has also spent several hundred thousand dollars to administer the PSA. This includes additional staff to administer the numerous grievances and jurisdictional disputes on the union-only PSA projects, pay consultants to conduct seminars to explain the complex provision of the PSA to the industry, and market the bid opportunities to contractors in areas throughout the Southwest. These expenses were incurred because the local contractors have shown little interest in bidding the union-only PSA projects.”

Another failure of the union-only PSA relates to local workers. The Building Trades promised that 70% of the craft workers would be residents of the San Diego Unified School District. As of December 1, 2011, only 40% of the craft workers working on the projects reside in the District.

The District will hold a “closed to the public” news conference Friday, December 9 to detail the results of a study by Rea & Parker Research, which was commissioned by the District’s Board of Trustees at the cost of \$71,825.

The news conference will be held at Hoover High School’s Woodshop Building, which was the first Proposition S project bid under the union-only terms of the PSA. The project had to be bid twice. Only five bidders bid the first time, and the low bidder from Stanton, California was 35% over the District’s budget. All bids were rejected, and the District rebid the same project. This time there were only four bidders, and the low bid was about 26% over budget. A comparable project was bid about the same time by another school district that does not impose a union-only PSA on its projects. 17 bids were received, and the low bid was about 25% under budget.

*Attachments: Proposition S Construction Contracts Bidding Review
Project Specific Budget/Estimates/Bids*

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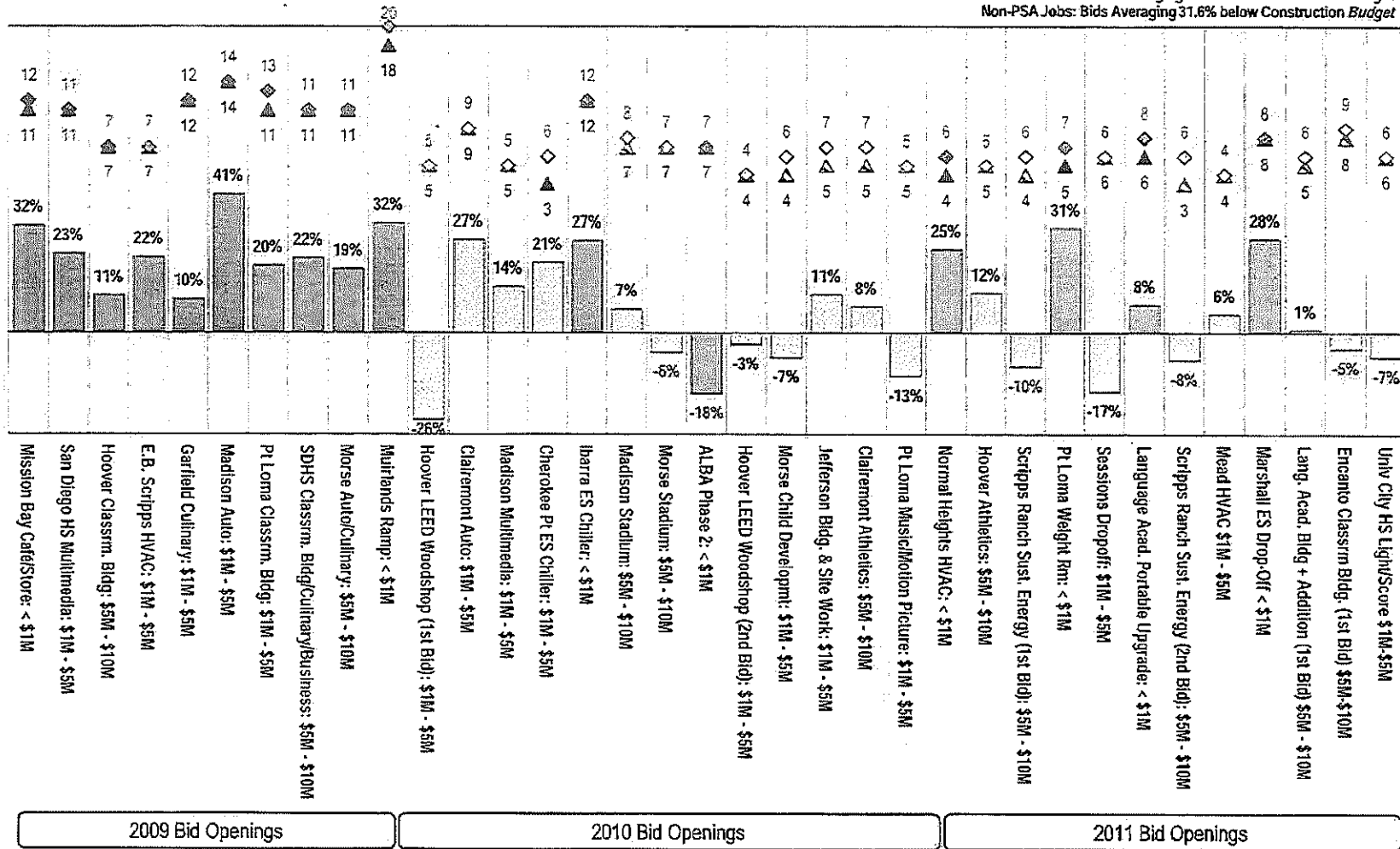
San Diego Unified School District - Proposition S (Construction Contracts Bidding Review)

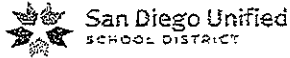
█ = Final Cost Estimate vs. Low Bid (Positive % = Bid < Estimate; Negative % = Bid > Estimate)
 ◆ = # of Bidders ◆ = # of Responsive Bidders
 [Note: PSA Contracts in Stripes]

SUMMARY:
 PSA Jobs: Averaging 6 Bidders (5 Responsive)
 Non-PSA Jobs: Averaging 10 Bidders (10 Responsive)

PSA Jobs: Bids Averaging 1% below Estimate
 Non-PSA Jobs: Bids Averaging 21.2% below Estimate

Not Depicted in Chart:
 PSA Jobs: Bids Averaging 9.7% below Construction Budget
 Non-PSA Jobs: Bids Averaging 31.6% below Construction Budget





San Diego Unified
SCHOOL DISTRICT

Project Name (Abbreviated)	PLA 2	Construction Budget/Estimate/Bidding				Approved Change Order/Allowance \$ Data				Other Data				Schedule Summary Date			Note(s)				
		Construction Budget	Estimate at Time of OSA Submittal	Final Cost Estimate prior to Bidding	Board Award Contract Value	# of Bidders	# of Responsive Bidders	Work in Place (WIP)	Contractor	Status	# of App'd CDs (excluding Allowance Credits)	Approved \$ with Allowance Credits	App'd \$ w/o Allowance Credits	Allowances Used To Date	Invoiced to Date (prior to Retention)	# of Rft Iterations in CM13		# of ASI Iterations in CM13	# of Notices	Original Substantial Completion Date	CM's Forecast / Actual Substantial Completion Date
Alca Rhs 2	No	992,328	792,425	833,297	994,775	7	7	100%	EC	Complete	18	(7,971)	49,857	15,767	586,994	63	7	1	Ser 12.11.10	Fri 12.17.10	-6
Cherokee Chiller	Yes	1,090,090	1,292,502	1,256,352	1,041,255	6	3	100%	Amias	Complete - Substantial	1	16,182	16,182	45,600	991,235	39	2	1	Tue 9.7.10	Thu 5.12.11	-247
Charmant Athletics	Yes	7,832,371	8,310,600	6,582,303	6,075,150	7	5	90%	Tilton	In Construction	40	270,964	270,964	210,500	5,111,245	280	72	0	Tue 11.1.11	Tue 11.1.11	0
Charmant Auto	Yes	4,877,909	2,590,000	3,516,196	2,805,500	9	9	87%	Streight Line	In Construction	26	173,276	173,276	144,361	2,289,202	185	17	6	Wed 5.4.11	Sun 10.30.11	-175
ESS HVAC	No	2,173,359	2,000,000	2,280,800	1,789,324	7	7	100%	Jov Air	Complete	27	(286,625)	(286,625)	-	1,502,699	35	0	4	Tue 9.1.09	Mon 12.14.09	-104
Garfield Culinary	No	2,738,090	1,709,254	2,212,959	1,995,000	12	12	100%	MA Stevens	Complete	8	(43,247)	(430)	189,583	1,651,253	70	5	0	Fri 2.19.10	Tue 3.20.10	-11
Hoover Athletics	Yes	9,653,346	16,703,035	10,772,537	9,513,200	5	5	73%	Saltek	In Construction	-	-	-	42,327	1,938,802	59	27	0	Fri 7.27.12	Wed 7.18.12	5
Hoover New Side	No	6,074,720	16,077,950	6,074,720	5,414,000	2	2	100%	Erudace-Hill	Complete	68	589,702	599,458	116,240	6,482,768	272	62	7	Sun 7.11.10	Mon 8.9.10	-19
Hoover Woodshop	Yes	4,662,161	2,471,166	3,728,648	3,854,000	4	4	96%	Saltek	In Construction	15	64,526	86,526	59,741	3,586,659	144	25	0	Thu 6.17.11	Fri 9.20.11	-50
Thorne Chiller	No	750,000	757,941	826,294	633,329	12	12	100%	Follon	Complete	12	76,171	109,109	40,561	714,500	55	0	0	Tue 9.7.10	Thu 9.24.11	-198
Jefferson	Yes	4,339,327	2,500,000	1,016,697	2,733,734	7	5	46%	Saltek	In Construction	17	39,608	39,608	3,956	1,168,275	69	14	2	Mon 10.31.11	Fri 12.2.11	-37
Lang. Acad. Portable	No	167,179	320,000	146,859	134,682	8	4	99%	JW	Complete - Substantial	1	(9,560)	-	-	90,992	7	0	0	Fri 6.24.11	Tue 8.9.11	-45
Madison Auto	No	6,246,000	4,111,771	5,384,276	3,314,600	14	14	100%	Saltek	Complete	33	(358,837)	127,851	65,812	2,935,163	127	29	0	Mon 6.2.10	Mon 9.13.10	-42
Madison Multi.	Yes	4,894,000	3,329,000	3,037,592	2,625,820	5	5	100%	Suffolk-Roel	Complete - Substantial	23	(137,435)	80,142	24,413	2,468,395	141	5	5	Fri 2.4.11	Mon 5.2.11	-67
Madison Stadium	Yes	7,477,916	9,865,900	6,443,769	5,998,000	8	7	100%	Saltek	Complete - Substantial	22	(344,549)	162,549	51,271	5,995,735	116	0	0	Wed 6.3.11	Wed 6.1.11	0
Marshall ES Drop-Off	No	880,346	350,000	725,091	525,000	8	8	0%	Sierra Pacific West	Awarded 9/13/11	0	0	0	0	0	0	0	0	Sat 12.17.11	Sat 12.17.11	0
Wood ES HVAC	Yes	1,552,041	1,344,657	1,520,774	1,493,200	4	4	0%	Saltek	Awarded 9/13/11	0	0	0	0	0	0	0	0	Wed 4.25.12	Wed 4.25.12	0
Minston Bay Store	No	476,000	500,000	382,601	261,677	12	11	100%	Teres	Complete	11	(13,461)	8,885	7,234	248,416	0	0	0	Sun 7.26.09	Fri 8.21.09	-26
Morse Athletics	Yes	2,215,472	2,339,000	1,379,034	2,790,000	11	11	88%	Saltek	In Construction	24	393,986	393,986	38,337	5,537,681	229	68	13	Fri 7.15.11	Thu 11.17.11	-125
Morse Auto	No	5,464,858	4,968,077	4,065,133	3,337,000	6	4	96%	Caz	In Construction	93	134,964	247,552	28,556	2,241,291	356	50	2	Tue 11.20.10	Fri 9.23.11	-297
Morse Culinary	No	4,130,661	3,089,820	3,478,857	3,177,000	6	4	58%	Caz	In Construction	68	55,026	255,497	36,800	2,437,109	330	64	4	Tue 11.30.10	Sun 10.23.11	-327
Morse CBC	Yes	3,286,457	2,340,000	2,795,718	2,900,000	6	7	41%	Suffolk-Roel	In Construction	30	93,564	186,190	12,220	1,161,823	57	15	0	Sun 2.26.12	Tue 4.3.12	-37
Mainland Camp	No	180,000	47,000	292,121	137,000	20	18	100%	Team C	Complete	2	(12,827)	12,833	24,340	124,175	8	1	0	Wed 2.18.10	Fri 3.26.10	-44
Marina Hs Chiller	No	800,000	926,571	855,231	652,595	6	4	73%	PWC	In Construction	2	16,919	16,919	40,800	521,241	25	0	8	Fri 9.23.11	Fri 9.23.11	0
Pt Loma Mol. Picture	No	3,800,000	3,800,000	2,650,000				47%	Straight Line	In Construction	21	-	49,773	24,011	866,722	141	8	0	Tue 2.14.12	Sun 4.15.12	-61
Pt Loma Seismic	No	3,784,510	77,065	2,703,464	270,000			35%	Straight Line	In Construction	33	-	21,626	6,410	224,659	33	4	0	Tue 6.14.11	Fri 9.16.11	-64
Pt Loma Cent. Supply	Yes		151,280	272,000		5	5	95%	Straight Line	In Construction	19	-	98,509	1,600	123,220	22	3	9	Wed 6.24.11	Fri 9.16.11	-23
Pt Loma Fire Alarm		1,988,189	71,990	1,458,157	264,000			35%	Straight Line	In Construction	-	-	-	-	78,157	3	0	0	Wed 8.24.11	Fri 9.16.11	-23
Pt Loma Music Ctr.			866,544	1,340,000				47%	Straight Line	In Construction	6	-	14,513	37,483	505,961	134	2	1	Tue 2.14.12	Sun 4.15.12	-61
Pt Loma New Side	No	4,316,507	6,763,752	4,792,106	3,775,800	13	11	100%	Saltek	Complete - Substantial	49	57,552	591,147	143,985	3,677,224	275	56	10	Thu 10.7.10	Fri 12.17.10	-71
Pt Loma Weight Rm	No	975,000	400,000	975,000	675,070	7	5	73%	MA Stevens	In Construction	1	144	144	17,540	119,992	21	2	8	Mon 11.26.11	Wed 12.28.11	-20
Rewan CBC	No	1,062,342	600,000	753,535	688,135	7	7	100%	MA Stevens	Complete	14	26,412	97,262	1,151	716,546	17	3	0	Fri 10.1.10	Fri 10.29.10	-28
Scraper Ranch CFE	Yes	5,866,116	6,080,000	5,885,519	6,354,315	6	3	100%	Tilton	In Construction	-	-	-	-	66	1	0	Fri 6.22.12	Fri 6.22.12	0	
SDHS Business		1,118,352	577,734	843,691	482,950			100%	Saltek	Complete	4	14,244	34,679	45,665	457,294	66	11	0	Wed 6.30.10	Thu 6.19.10	-59
SDHS Cafeteria	No	2,221,212	1,168,769	1,972,945	1,143,400	11	11	100%	Saltek	Complete	20	74,002	96,877	48,125	1,217,902	79	18	0	Wed 6.30.10	Thu 6.19.10	-59
SDHS New Side		9,269,959	4,312,625	5,579,253	5,378,900			100%	Saltek	Complete - Substantial	45	219,748	367,558	281,698	5,446,678	280	36	0	Fri 4.1.11	Tue 7.26.11	-116
SDHS Multi.	No	2,552,000	852,526	2,817,652	1,580,000	11	11	100%	St. Thomas	Complete	17	227,271	255,110	67,461	1,727,227	121	12	0	Mon 3.8.10	Tue 8.5.10	-150
Sessions Drop-Off	Yes	1,944,272	1,286,000	1,554,522	1,025,000	6	6	48%	St. Thomas	In Construction	-	-	-	-	369,495	35	2	0	Sat 12.31.11	Sun 1.1.12	-1

SS Data through 9/6/11
WIP % through 9/2/11

Reprinted from AGC San Diego's *Monday Morning Quarterback*, which is a weekly Internet Publication to over 1,000 AGC members, elected officials, and public agency representatives.

A Financial Disaster at San Diego Unified School District...The Trustees Have Wasted \$16,000,000 in Two Years!!!

By Jim Ryan, Executive Vice President

On Thursday of last week, AGC was provided information by sources inside the San Diego Unified School District (SDUSD) that proves the union-only Project Stabilization Agreement (PSA) for construction projects financed by the Proposition S bond issue has been a financial disaster!!! Taxpayers from throughout the District should revolt and demand that the Trustees stop this incredible waste of taxes. The result is that students are going to be taught in schools that will not receive the critical repairs that their schools so desperately need.

The 2 documents that were given to AGC are entitled.....

"San Diego Unified School District-Proposition S Construction Contracts Bidding Review." [CLICK HERE](#)

Construction Data [CLICK HERE](#)

The documents show that San Diego contractors are not bidding the union-only PSA projects, and as a result of fewer bids, the District is paying millions of dollars over and above what they should be paying for their union-only Proposition S construction projects. Here are the key statistics contained in the documents. Remember....these statistics came from the District...

1. There have been 35 construction projects bid since 2009 and funded by the Proposition S Bond issue which was approved by voters in November 2008. The first projects funded by this bond issue were bid in 2009.
2. 16 of the projects bid since 2009 were not included in the union-only PSA. The 16 projects ranged in size from just under \$1 million to about \$10 million. Some were bid in 2009 before the union-only PSA took effect, but were funded by the Prop S bond issue. Some were under the threshold amount in the PSA, and were bid in 2010 and 2011.
3. 19 of the projects were bid under the union-only PSA. They were bid in 2010 and 2011. The projects ranged from just over \$1 million to about \$10 million.
4. All 35 projects were very similar in scope and range of size.
5. The 16 projects that were not subject to the union-only PSA averaged 10 responsive general contractor bidders.
6. The 19 projects that were subject to the union-only PSA averaged only 5 responsive general contractor bidders. In addition, the GC's tell us that the subcontractor bids that they received were at least 50% below the number of bids they would normally receive for projects of this nature. The District's own study confirms this (see next article).
7. The 16 projects that were not subject to the union-only PSA averaged 31.6% below the budget set by the District for the projects.
8. The 19 projects that were subject to the union-only PSA averaged 9.7% below the District's budget for the projects.
9. Thus, it is logical to conclude that the District is spending 21.9% more than it should when it subjects projects to the union-only PSA.

10. In addition, the architects and consultants also provide an estimate of the project cost after design is complete. The 19 projects that were subject to the union-only PSA were 20% higher than the estimates for the 16 projects that were not subject to the union-only PSA.

The conclusion to be drawn from all of this is simple.....all 35 projects were basically the same type project; they were all bid in the same 2-3 year time frame in which construction costs have been low and flat; and they were all bid for the same owner and staff. The budget estimate to actual bid price should have been nearly identical between the two groups of projects. They were not!!!

In addition, it is logical to assume that the actual cost to the District of implementing the union only PSA on their projects involves roughly a 21.9% premium. For the projects that were bid under the union only PSA the premium that the District paid was about \$16 million....and if this pattern continues to the conclusion of the bond issue the total dollars wasted will be in the \$200 million or more range.

The reason for all of the cost difference.... is exactly what we have been telling the District since they came up with this union-only PSA....**there is a lack of competition....and less competition means higher prices...it is that simple.**

We would like to thank SDUSD for providing this comparison. It certainly ranks as one of the strongest "apples to apples" comparisons anywhere in the United States that details the cost increase that come with these union-only agreements. It proves that when an agency restricts the bidding to a segment of the market, there is a cost...and in this case, it is a very high cost that will end up hurting the students in the San Diego Unified School District!!!!

San Diego Unified Project Stabilization Agreement: A Review of Construction Contractor and Labor Considerations

By Jim Ryan, Executive Vice President

You may have noticed this weekend that the San Diego Unified School District held a closed press conference on Friday and released the results of a study that the Trustees commissioned several months ago concerning the effectiveness of the union-only PSA on proposition S construction projects. It is our understanding that the AGC/ABC/Coalition for Fair Employment press release which detailed cost problems featured in the previous article caused a few problem questions for the Trustees during this closed press conference. Sorry about that!

Anyway....it has always been our impression that this report was a vehicle to provide cover for Trustees Richard Barrera and John Evans if they had any opponents when they ran for the School Board again in 2012. President Barrera's new trustee "wingman," Scott Barnett, has a history with the consultants that were hired. We are confident that the "scope" was very clearly defined for the consultants, Rea and Parker Research.

We were also confused as to why the Trustees would hire the consultants when the District has an oversight committee. The oversight committee is tasked with making sure the Proposition S funds are being spent properly by the Trustees. For instance, I am the Chair of the Transnet Oversight Committee, and our task is to make sure SANDAG is properly using the ½ cent sales tax that is for transportation in our county. Our oversight committee commissions a program audit every few years, but the auditors report directly to the oversight committee. Hmmm..... makes you wonder doesn't it!!!

After reviewing this report, which cost about \$400 per page for a total of \$80,000, it was obvious that some of the facts did not match the conclusion.... which was basically that the union-only PSA was a brilliant move by the Trustees...(who of course paid for the study!!)

Since our readership is made up primarily of individuals that are in the construction industry, I thought you would be interested in the following.....

They agreed that there was a mysterious drop in the number of bidders on union only PSA projects. They even found that on the Prop S projects that were not subject to the union only PSA, there were 80.7 plan holders vs 35.4 for the union-only Prop S projects. In addition, the required site walks for each project only attracted 24.4 participants for the union-only Prop S projects vs 40 for the Prop S projects that were not covered by the union- only PSA. This adds to the contention that there are fewer bidders at all levels on the union-only PSA projects.

But somehow the consultants did a bit of what has been called "confusing" statistical analysis of certain non-randomly selected projects that showed that all of this made no difference...the costs were somehow the same...despite the facts detailed in the previous article. We have seen emails that seem to challenge the statistical analysis methods used by Rea and Parker Consulting. Maybe Rea and Parker subcontracted this part of the study to Laurel and Hardy Consulting!!

Well anyway.....I am sure the study fulfills its intent. Richard and John can now refer to it if anyone challenges them over the cost of the PSA!!!