



STAFF REPORT ON PROPOSED LEGISLATION

To: Mayor Gavin Buckley

From: David Jarrell, Public Works Director
Jodee Dickinson, Finance Director

Date: September 12, 2022

Subject: O-25-22, Revenue and Finance – Purchasing and Procurement – Prevailing Wage and Local Hiring

This Ordinance establishes prevailing wage payment requirements and local hiring provisions for certain capital improvement projects. This legislation is modeled on Anne Arundel County requirements for prevailing wages and local hiring.

A capital project is generally defined by the City as a project with a value greater than or equal to \$50,000 for the acquisition or improvement of assets. This includes acquisition of land, facilities, infrastructure and equipment and improvement of assets such that the useful service life of the asset is extended. The proposed legislation restricts the definition of “Capital Improvement Contract” to contracts with a value of more than \$100,000 from outside funding sources or \$5,000,000 from City funding.

This legislation applies to construction projects (“physical public betterment or improvement), for which prevailing wages and local hiring are applicable, as well as acquisition of property and purchase of equipment, for which prevailing wages and local hiring do not apply.

Generally, this legislation would apply to construction projects valued at \$100,000 or greater if funded with outside funding or \$5,000,000 if funded with City funding. Projects receiving Federal funding generally already have prevailing wage requirements in accordance with the Davis-Bacon Act, and many State funded projects must comply with State prevailing wage laws.

The proposed legislation assigns responsibility for administration and enforcement of the prevailing wage requirements to the Procurement Office under the Finance Department. The City’s Procurement Office doesn’t currently have capacity to administer this program with the current staffing level. Similarly, Anne Arundel County, after they passed their prevailing wage legislation, added three staff positions, one to run the program and two staff to help with compliance. They are also implementing a system called LCP Tracker to assist with administration of the program.

In the approved Fiscal Year 2023 Capital Improvement Program, the following projects would be required to have the prevailing wage and local hiring provisions in accordance with this legislation. The standard specifications for these projects, and all future eligible projects, would have to be modified to add the prevailing wage and local hiring provisions. All of these projects are funded by grant funding.

1. Burtis House Elevation and Weatherization
2. Carr's Beach Development
3. City Dock Revitalization and Resilience
4. Hawkins Cove Restoration
5. Stanton Center Renovations
6. Truxtun Park Improvements
7. Cheston Avenue Street End Park Improvements
8. West East Expressway Bikeway
9. Annapolis Department of Transportation Roof Replacement

During a time of decreased construction companies interested in bidding or proposing on City projects, these additional requirements for prevailing wages and local hiring may further decrease interest in pursuing City projects. For example, the City received only one bid on the large flood mitigation project for Compromise Street.

According to analysis from the Associated General Contractors of America, construction wages are up across the country. Construction workers are seeing larger paychecks. According to the analysis, average hourly earnings in construction—a measure of all wages and salaries—increased 3.2 percent over the year to \$30.73. That figure was 10.1 percent higher than the private-sector average of \$27.90. This is due to supply and demand - there simply aren't enough construction workers. Earlier this year, the Department of Labor reported that the number of job openings in construction, last reported for May, totaled 360,000. This was the highest May total in the 19 years DOL has tracked the metric. The trend of construction worker shortages is expected to worsen as the industry is estimated to need an additional 747,000 workers by 2026, according to the U.S. Bureau of Labor Statistics. In another study from the Associated General Contractors of America, 80% of construction companies surveyed said they were have a hard time finding workers. It is believed that market forces will more effectively increase construction wages than the proposed prevailing wage provisions, which apply to a limited number of City capital projects.

Prepared by David Jarrell, Public Works Director, and Jodee Dickinson, Finance Director