



ACT OHIO
AFFILIATED CONSTRUCTION TRADES

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MEMORANDUM

To: Ohio House of Representatives – Ohio House Finance Committee
From: Matthew A. Szollosi
Date: April 16, 2015

Re: Opposition to Sub. HB 64 Provision Prohibiting Project Agreements

Chairman Smith / Vice-Chair Schuring / Ranking Member Driehaus:

Please be advised that ACT Ohio is a 501(c)(5) organization created to encourage economic and industrial development opportunities, and to facilitate utilization of industry-best practices for Ohio's public and private construction. For the reasons that follow, ACT Ohio is adamantly opposed to the language included in the Sub Bill that prohibits State Agencies, Institutions of Higher Learning, and local political subdivisions from utilizing project agreements.

David Wondolowski, Executive Secretary of the Cleveland Building Trades Council and ACT Ohio Executive Board member and I will be addressing the public policy impact of this language, and Mark Tucker, Legal Counsel for the Ohio State Building & Construction Trades Council will outline for you the constitutional problems with the proposal.

A project agreement is entered into between the project owner and/or the owner's representative, and the local building trades council. The agreement sets forth the terms and working conditions that all successful bidders, their sub-contractors and workers must adhere to in order to meet the owner's expectations.

Project agreements are certainly not a new phenomenon, having been widely utilized in the construction industry for many decades.

From the project owner's perspective, project agreements are attractive because the objective is quite simple: deliver the best quality project on time, at or below estimate. In construction, project owners already face a multitude of challenges, and complications on complex projects due to market forces are sometimes inevitable. In light of these challenges, project owners simply do not want to deal with problems or delays based on labor disputes.

For example, when an oil refinery or manufacturing operation is down for maintenance, money is lost every day the lines are inoperable. Profit matters – this is not a bad word in our



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industry, and we are hyper-sensitive to the needs of our customers. Likewise, in the public sector, for example, schools need to be completed and safe for the start of school; hospitals need to be open and fully functional to care for the injured and sick.

The bottom line is: agreements streamline the project delivery process by contractually prohibiting picketing or other disruptive activities that could set the timeline for completion back.

As a proponent of these agreements, I oftentimes point to a number of factors for public officials to consider, including:

- Increased productivity due to greater efficiency of the workforce
- Decreased incidents of workplace injuries due to strict safety protocols
- Reduced long-term maintenance costs due to higher quality workmanship
- Financial boosts to the local economy by ensuring a local workforce
- Less stress on community fabric due to health and wellness benefits for workers
- Benefits inherent in partnerships with local community colleges
- Successful results in dozens of instances across the state
- Best overall value for the taxpayers

Within the construction industry, there is no shortage of opinion on whether project agreements constitute the right approach. Those who oppose project agreements suggest that they increase costs due to reduced competition. It is worthy of note, however, that dozens of Ohio's most recognizable and successful corporations have utilized project agreements, in certain instances, for select capital improvement projects, including:

AEP Corp.; BP; Brush Wellman; Campbell Soup; Chase Brass; Cleveland Clinic, First Energy; Eaton Corp.; Ford Motor Co.; General Motors; Honda of America; Johns-Manville; LTV Steel; M.B.N.A.; MetroHealth; P&G; Penn Gaming; Sunoco; and, US Steel to name a few.

These companies are not in the business of driving up costs for the sake of driving up costs. Past utilization of various forms of project agreements by these and other successful companies on a per project basis proves that, from a fiscal standpoint, there is value to be derived from this approach.

I want to stress that by no means are all of these corporations "union shops," meaning their full-time work forces are not unionized. However, they choose to utilize a building trades workforce for their capital improvements because of the value derived therefrom. A highly trained, experienced, drug-tested construction workforce will result in a safer worksite, fewer workplace injuries or fatalities, and a better overall result from a quality standpoint.

Last Fall, I had the opportunity to present at the Ohio Municipal Conference on the topic of project agreements. Tom Householder, Managing Director of Labor Relations, AEP

Corporation spoke on behalf of project agreements in the private sector, and Mayor William Healy participated in the discussion on public sector project agreements.

In preparation for my presentation, I compiled data in an effort to dispel the suggestions of opponents that continually state project agreements drive up costs for taxpayers. Looking at Canton, for example, the following table represents a listing of city projects that were bid subject to a project agreement over the last several years:

City of Canton PLA Contracts 2012-Present			
Project	Winning Bidder	Cost Estimate	Contract Price
Water Meter Installation	Professional Meters Inc	\$7,000,000.00	\$5,087,082.90
WRP Phosphorus/Total Nitrogen Project	Shook Construction Co.	\$50,000,000.00	\$46,239,465.00
41st St. Reconstruction GP 1126	Lockhart Concrete	\$602,382.49	\$588,915.50
Harrisburg Resurfacing GP 1139	Central Allied	\$348,417.00	\$373,448.00
Trinity Place Sanitary Sewer Manhole Rehab GP 1174	Wenger Excavating, Inc.	\$130,000.00	\$109,928.00
55th Street NE Storm Sewer Project GP 1125	Central Allied	\$1,400,000.00	\$1,372,053.25
2013 City Paving Program	Central Allied enterprises, Inc.	\$1,080,000.00	\$1,111,706.25
WSI-ESI Interconnect Vault	Wenger Excavating, Inc.	\$296,000.00	\$325,142.00
Mill St Sanitary and Water	Spano Brothers Construction Co Inc	\$294,270.00	\$277,340.36
Sears Building Roof Replacement	HOBBS Industrial Roofing & Sheet Metal Inc.	\$285,000.00	\$192,000.00
Hamilton NE Roadway GP 1168	Central Allied Enterprises	\$380,516.00	\$395,028.00
Biofilter Media Replacement	Industrial Waste Control	\$105,750.00	\$100,000.00
GP 1176, 16th St NW Roadway	Central Allied Enterprises	\$225,000.00	\$226,051.00
GP 1177 2012 City Paving Program	Central Allied Enterprises	\$900,000.00	\$880,380.75



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Upon review, of the fourteen (14) projects listed above, the contract price on ten (10) were below or significantly below the cost estimate. The four that exceeded cost estimate were not significant, and the savings to the taxpayers overall were considerable. In the aggregate:

- the total cost estimate for these projects equates to \$63,047,335.49;
- the sum total of the contract price column equals \$57,278,541.01.

Accordingly, with utilization of project agreements on the above listed projects, the City of Canton realized savings of \$5,768,794.48 against projected cost estimates.

In his conclusion at the Ohio Municipal League Conference, the mayor made several points very clear: he wants local contractors that employ local workers doing Canton's public works construction projects because the taxpayers' investment remains in the community, and jobs are created.

In years past, a number of other public authorities across the state have implemented project agreements for specific projects including:

Marietta City School District; Washington-Nile Local School District; Portsmouth, Ironton, and South Point City School Districts; Berea and Euclid City Schools; Lakewood Public Library; Bowling Green State University Student Housing project; Watts Center and Williamson School of Business projects at Youngstown State University; NW State Community College; Parma City Schools, Fire Stations and Parma City Justice Center; Franklin County Hall of Justice; and dozens of other examples.

To give you another example, the Lorain School Board entered in to a PLA with the North Central Building & Construction Trades Council for construction of its 315,000 square foot state of the art high school.



Lorain County Chronicle Telegram

In April, 2014, the Lorain School Board awarded 14 bid packages for construction totaling \$56,654,449, which according to the Ohio School Facilities Commission represents over \$1 million in savings from architectural estimates.

"There's nothing but good news this evening," said Robert A. Fiala, a partner with Then Design Architecture in Willoughby. "Thank you, board, for your confidence in us. This will be the most state-of-the-art high school in the State of Ohio. This is a community college of a high school. The inspiration is actually the harbor, like sailing ships, because of the history of this city." Excerpt from *The Morning Journal* (4-21-2014)

While not suitable or warranted in every circumstance, project agreements are widely utilized in Ohio in both the public and private sector, based on potential cost savings, quality of workmanship and timeliness of project delivery. Project agreements are typically tailored to meet the specific needs and expectations of owners and taxpayers, and certainly present value within Ohio's construction industry.

Taken across the state, this proposal would impact hundreds of millions of dollars of work, and countless municipal / county / state agency procurement policies. This is a high impact proposal, one that would have far-reaching negative impacts on Ohio's construction industry.

Accordingly, I respectfully request this Committee remove the language that would take this industry custom away from owners across the state. Thank you for your time and consideration.