

# OPEN SHOP GAZETTE

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The Sunday, August 27, 2017 edition of *The Orange County Register* contained 2 articles in the Editorial Section commenting on the actions of the City of Santa Ana and their approval of a city-wide PLA. (Which was covered in the previous *Open Shop Gazette*.) The first was written by Steven Greenhut, who was a Register editorial writer from 1998 – 2009.

## “Squandering budgets on union giveaway”

“Talk to almost any city or school district official and it won’t take long before the poor-mouthing begins. Budgets are stretched to the bone. There’s barely enough money to pave the roads and pay for textbooks. If only taxpayers would pay more, there might be enough money to improve services or better educate the kids. Yet with every tax hike and bond measure, services never really improve. That is because the problem isn’t a lack of money, but the foolish way that officials spend what they’ve got. And few cities have behaved of late more foolishly than Santa Ana.

Earlier this month, the Santa Ana City Council voted unanimously to approve the county’s first citywide “project labor agreement” for most city funded construction projects. Councilman Jose Solorio called the vote “historic,” which it is, but only in the sense that it’s a historically bad move that will hurt Santa Ana residents by assuring they get fewer public services.

PLAs are union-drafted construction agreements that essentially mandate the use of unionized contractors on most city projects. Supporters made a big deal of this PLA’s hiring preferences for local workers, but that’s largely a mirage. Cities cannot require that workers come only from certain ZIP codes, so they set easily evaded “goals” as a means to sell this giveaway to local residents. Unions need only exert their “best efforts” to hire from the local labor pool.

The city’s own staff report estimates that “this agreement will add an additional 10-20 percent for public work on the construction phase.” The report says that may mean an additional \$2.7 million to \$5.4 million a year. That’s real money that could be used for real projects in a city that often has serious budget woes. Santa Ana residents ought to be angry about such “generosity.”

Yet news reports quote Solorio arguing the city doesn’t anticipate any new costs beyond hiring a full-time person to administer the agreement because the city already pays “prevailing wage.” I take umbrage at hiring a new person to administer an unneeded contract rather than serve residents, but that’s a side point.

The main point is that PLAs do boost costs. Solorio obviously hasn’t done his homework on this widely-researched issue. Yes, cities already pay artificially inflated prevailing wages. With a PLA, the wage mandates won’t change, but the number of bidders on contracts will drop precipitously. Less competition means higher prices.

The contract limits nonunion contractors to those with five or fewer employees. The bigger nonunion contractors already have a workforce they know and trust, but to bid for a city project they’ll have to use workers from the union hiring hall. Most firms simply won’t bid those jobs. This is how trade unions use political muscle to shove aside competitors. They also get to micromanage city contracts. City residents aren’t going to benefit.

PLAs are a bad idea, but they are spreading. The Register reported last week that the Santa Ana Unified School District is considering entering into a similar “community workforce agreement.” Only one other school district in the county (Anaheim Unified School District approved one last month) has one.

Santa Ana schools ought to know better. In 1999, voters

approved a school bond that promised to build 13 new schools. After it passed, the district voted to sign a PLA. When all was said and done, Santa Ana was only able to build five schools because of insufficient funds. In poor, struggling districts, this is an outrage. The kids suffer to help well-paid union officials.

There are all sorts of other problems with these agreements and the Santa Ana process. PLAs require construction workers to pay into union pension funds, but few of them will be on the job a sufficient number of years to be vested. Is that fair?

Backers of these agreements tout the supposed benefit that unions agree that “they shall not incite or encourage, condone or participate in any strike, walk-out, slow-down, picketing, observing picket lines,” according to the city staff report. But this is like a mugger who points a gun to your head and promises the benefit of not shooting you if you hand over your wallet. Thanks so much.

Eric Christen, executive director of the Poway-based Coalition for Fair Employment in Construction, which opposes PLAs, also questioned why the city rushed through the measure. The problem isn’t just a questionable process, but unquestionably bad policy. “At what point is \$1 million or \$2 million or \$55,000 too much to pay for the council’s canine affection for union demands?” Christen asked. “They don’t care. It’s just play money to them.”

The next time Santa Ana officials complain about tight budgets or the school district proposes a new bond measure, remember their votes on PLAs. If they can squander 10 percent to 20 percent of their budgets on this nonsense, they’ve got plenty of money already.”

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**“Santa Ana approves union giveaway”**

“After approving a \$510.7 million budget full of add-ons that relies on one-time funds to balance, Santa Ana has returned to the money tree and approved the first city-wide project labor agreement in Orange County.

“The community workforce agreement with the Los Angeles/Orange Counties Building and Construction Trades Council and the Signatory Craft Councils and Unions applies to city multitrade construction contracts exceeding

\$250,000 and specialty contracts over \$100,000 limited to a single trade or scope of work,” the Register reported.

The agreement is for five years and the city has, according to the Register, set “a goal for 30 percent of the total work hours to be performed by workers residing in Santa Ana, and veterans regardless of where they live.”

It wasn’t long ago when Santa Ana stood on the precipice of bankruptcy. But tough decisions put the city on sounder footing. Now, the City Council seems to be falling back on old habits and spending money it doesn’t have.

“Even if there was an additional cost, I think it’s off-set by the benefit that this brings to our community with jobs, with employment, people spending money, keeping the dollars local,” Councilman Vicente Sarmiento said.

But those benefits aren’t really quantifiable. The costs, however, are. The staff report suggests that the agreement could potentially increase the cost of projects exceeding \$100,000 by 10 to 20 percent – and by even more than that for costlier projects. Using the last two fiscal years as a guide, staff estimated that this could mean “approximately \$2.7 million to \$5.4 million, of which 10 percent is attributable to the General Fund.”

During budget negotiations earlier this year, Councilwoman Michele Martinez took a fiscally prudent stand.

“We need to realize that we’re not on a sustainable course right now,” she said back then, as reported by the Register. “We have a choice to make. Either Santa Ana is going to become a different city because services are going to decline dramatically, or we have to figure out how to pay costs that we’re going to be giving.”

This time, however, she called the proposal “long overdue.”

Or it’s just a wasteful giveaway to the unions.”

