

Audit of the Golden1 Center Local Hiring and Business Involvement

Report # 2016-01 February, 2016

Sacramento Downtown Arena, LLC Appears to be on Track to Meet the Golden1 Center Project's Local Hiring and Business Involvement Goals

Although the Priority Apprentice Program Appears to be on Track to Meet Its Goals, Improvements to the Program May Result in a Greater Impact to the Community



City of
SACRAMENTO

Office of the City Auditor

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RECOMMENDATIONS

We made the following recommendations to improve performance of local hiring and business involvement and increase community impact on the Golden1 Center project:

We recommend the various organizations:

1. Continue to work together to ensure performance goals are being met.

We recommend the City Council:

2. Instruct the Office of the City Auditor to verify performance measures identified in this audit were met at the conclusion of the project.

We recommend the Sacramento Employment and Training Agency:

3. Continue to work towards meeting the priority apprentice goal of 70 for the Golden1 Center project.
4. Confirm the priority status of individuals by reviewing official documentation rather than relying on applicants' self-attestation.
5. Review the list of existing priority apprentices and ensure the proper documentation is retained for each priority apprentice to document the priority apprentice criteria are met.
6. Ensure those identified as meeting the priority worker criteria live within the City of Sacramento and meet at least two of the barriers criteria.

We recommend the Sacramento Employment and Training Agency and the local unions:

7. Work together to identify priority apprentices dispatched to the Golden1 Center project and not rely on DCM to identify apprentices that meet the priority zip code criteria during their cursory review of payroll records.

We recommend Sacramento Downtown Arena, LLC:

8. Consider establishing a reasonable minimum threshold of hours worked before an individual can be identified as a priority apprentice.

BACKGROUND

In early 2013, a Seattle group of investors attempted to purchase the Sacramento Kings and relocate the basketball team to Seattle, Washington. In an effort to keep the Sacramento Kings in Sacramento, Mayor Kevin Johnson attempted to identify qualified buyers to prepare a competitive offer to purchase the team and commit to keeping the team in Sacramento. The Sacramento Kings team was sold to Sacramento Basketball Holdings, LLC and the team stayed in Sacramento. The City agreed to contribute \$223 million in cash and land with an appraised value of \$32 million towards the estimated \$500 million cost to construct a new entertainment and sports center (later named the Golden1 Center) for the Sacramento Kings. Sacramento Downtown Arena, LLC; an affiliate of Sacramento Basketball Holdings, LLC; committed to local hiring and business involvement goals for the design and construction of the Golden1 Center. Our audit of the performance goals had two findings and made eight recommendations for improving performance and increasing community impact.

FINDINGS

Sacramento Downtown Arena, LLC Appears to be on Track to Meet the Golden1 Center Project's Local Hiring and Business Involvement Goals

The Golden1 Center performance targets for biddable work related to its design, construction, and professional services include goals of local business entity participation of 60 percent and small business participation of 20 percent--75 percent of which must be local small business entities. In addition, the project has a goal to have at least 20 percent of the total hours on the project be performed by apprentices. The project also set goals for hiring of apprentices and journey-level workers. Our audit found the project appears to be on track to meet its local hiring and business involvement goals. Specifically, we found:

- The Golden1 Center project appears to be exceeding its local hiring goals;
- The Golden1 Center project is slightly below its goal of ensuring apprentices perform at least 20 percent of the total hours on the project; and
- The Golden1 Center project appears to be on track to meet its local and small business involvement goals.

Although the Priority Apprentice Program Appears to be on Track to Meet Its Goals, Improvements to the Program May Result in a Greater Impact to the Community

The Golden1 Center project has a goal to hire at least 70 priority apprentices to encourage the hiring of disadvantaged individuals into construction apprenticeship positions. At least 20 of the 70 priority apprentices must be new apprentices meeting the priority worker criteria. At least 50 of the 70 priority apprentices may either meet the priority worker criteria or live in a designated priority zip code. Our audit found that although the Priority Apprentice Program appears to be on track to meet its goals, improvements to the program may result in a greater impact to the community. We found:

- The Golden1 Center project appears to be on track to meet its Priority Apprentice Program goal;
- The Sacramento Employment and Training Agency obtained limited documentation to confirm individuals met the priority worker criteria;
- The Sacramento Employment and Training Agency misinterpreted the priority worker criteria;
- The Priority Apprentice Program could increase community impact by making greater efforts to identify individuals that meet the priority worker criteria; and
- The Priority Apprentice Program would benefit from establishing a minimum work threshold.

Introduction

In accordance with the City Auditor’s 2015/16 Audit Plan, we have completed the *Audit of the Golden1 Center Local Hiring and Business Involvement*. We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The City Auditor’s Office would like to thank the City’s Information Technology Department; Sacramento Downtown Arena, LLC; Turner Construction Company; SETA; DCM; the Sacramento Metropolitan Chamber of Commerce; and the various other organizations involved in the audit for their time and cooperation during the audit process.

Background

In early 2013, a Seattle group of investors attempted to purchase the Sacramento Kings and relocate the basketball team to Seattle, Washington. In an effort to keep the Sacramento Kings in Sacramento, Mayor Kevin Johnson attempted to identify qualified buyers to prepare a competitive offer to purchase the team and commit to keeping the team in Sacramento. On February 19, 2013, the City Council passed a *Resolution in Support of Keeping the Sacramento Kings in the City of Sacramento and the Pursuit of a New Sports and Entertainment Facility in Downtown Sacramento*. On May 18, 2013, the Sacramento Kings basketball team was sold to Sacramento Basketball Holdings, LLC and the team stayed in Sacramento.

On May 20, 2014, the City Council approved the *Terms and Agreements for the Downtown Entertainment and Sports Center Project* between the City of Sacramento and Sacramento Basketball Holdings, LLC. The City agreed to contribute \$223 million in cash and land with an appraised value of \$32 million towards the construction of a new entertainment and sports center. Sacramento Downtown Arena, LLC (SDA); an affiliate of Sacramento Basketball Holdings, LLC; is responsible for the design and construction of the entertainment and sports center and public plaza adjacent to it that is estimated to cost nearly \$500 million. In June 2015, Golden1 Credit Union and Sacramento Kings announced a naming rights partnership establishing *Golden1 Center* as the name for the entertainment and sports center.

SDA has committed to several community impact goals, including contracting with local and small businesses and hiring disadvantaged “priority apprentices”

On February 19, 2013, the City Council passed a Resolution in Support of Keeping the Sacramento Kings in the City of Sacramento and the Pursuit of a New Sports and Entertainment Facility in Downtown Sacramento.

for the construction of the Golden1 Center (see Appendix A). According to Kunal Merchant, the former Vice President of Strategic Initiatives for the Sacramento Kings, SDA was not mandated to develop these initiatives and did so with various partners on a voluntary basis. SDA selected ICON Venue Group (ICON) as the project manager and Turner Construction Company as the general contractor to build the Golden1 Center. In consultation with ICON and other organizations involved, Turner Construction Company provides monthly progress reports that include progress on the local hiring and business involvement goals of the Golden1 Center project. To ensure the construction of the Golden1 Center is meeting hiring and local and small business goals, the Office of the City Auditor included an audit of the *Entertainment and Sports Center Local Hiring and Business Involvement* in the 2015/2016 Audit Plan.

SDA selected ICON Venue Group as the project manager and Turner Construction Company as the general contractor to build the Golden1 Center.

Local Hiring Goals

Turner Construction Company and the Sacramento-Sierra Building and Construction Trades Council and its affiliated local unions entered into the Community Workforce and Training Agreement (CWTA) for the Golden1 Center project in August 2013. The CWTA identifies targets for hiring of local workers. The CWTA's goal is that at least 60 percent of journey-level workers and at least 70 percent of all apprentices be local area residents. The CWTA defines a local area resident as "an individual whose primary residence is within the region comprised of the following counties: Sacramento, Yolo, Placer, El Dorado, Amador, Sutter, Yuba, Nevada, Sierra and San Joaquin." Figure 1 below identifies the counties included in the CWTA local hiring goals.

Figure 1: Counties of Local Area Residents

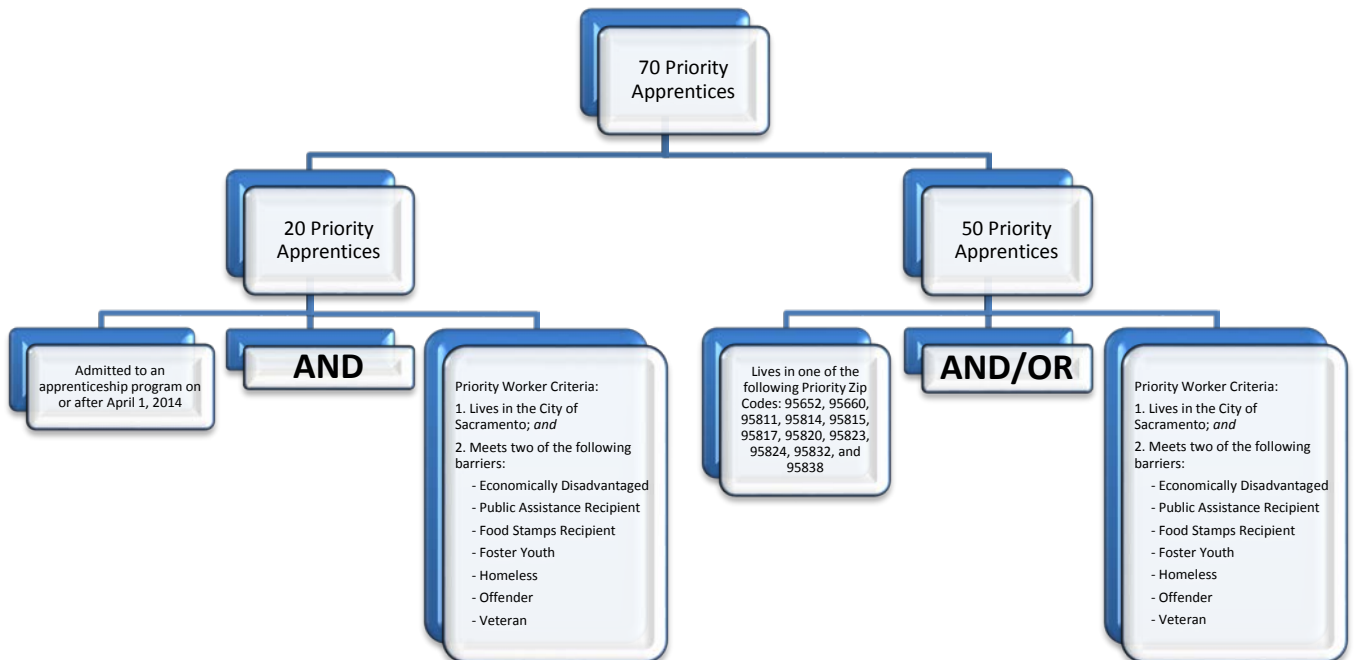


Source: Generated by the Information Technology Department from review of the Community Workforce and Training Agreement Supplemental Agreement.

In February 2014, the CWTA Supplemental Agreement was signed by Turner Construction Company and the Sacramento-Sierra Building and Construction Trades Council and its affiliated local unions as an addendum to the CWTA. The CWTA Supplemental Agreement outlines the Golden1 Center Priority Construction Apprentice Program (Priority Apprentice Program) criteria in which the parties of the CWTA agree to hire at least 70 priority apprentices. At least 20 of the priority apprentices must be *new* apprentices—apprentices admitted to an applicable apprenticeship program on or after April 1, 2014—that meet the priority worker criteria. According to the CWTA Supplemental Agreement, “In order to satisfy the Priority Worker criteria, an individual must be a resident of the City of Sacramento and must satisfy applicable eligibility criteria maintained and enforced by the Sacramento Employment and Training Agency (“SETA”), including...meeting two or more of the following criteria: economically disadvantaged; public assistance recipient; food stamps recipient; foster youth; homeless; offender; and veteran” (barriers criteria). An additional 50 or more priority apprentices working on the project can either satisfy the priority worker criteria and/or live in one of the following *priority zip codes*: 95652, 95660, 95811, 95814, 95815, 95817, 95820, 95823, 95824, 95832, and 95838. These priority zip codes were identified by SETA as having extremely high rates of poverty according to data from the United States Census Bureau. Figure 2 below illustrates the Priority Apprentice Program requirements as outlined by the CWTA.

The CWTA Supplemental Agreement outlines the Golden1 Center Priority Construction Apprentice Program criteria in which the parties of the CWTA agree to hire at least 70 priority apprentices.

Figure 2: Priority Apprentice Program Requirements



Source: Auditor compiled from review of the Community Workforce and Training Agreement Supplemental Agreement.

The CWTA Supplemental Agreement further states that the Sacramento-Sierra Building and Construction Trades Council and its affiliated unions, “will determine the admission and training of Priority Workers placed in applicable union apprenticeship programs.” The parties of the CWTA work with local community partners consisting of Sacramento ACT, the Greater Sacramento Urban League, Center for Employment Training, La Familia, and Asian Resource Center to lead outreach, recruitment and screening of prospective priority apprentices. The candidates may then enroll in pre-construction career programs with American River College Project Sacramento Transportation Regional Infrastructure Partners in Education (STRIPE), the Northern California Construction Training Program, or the Sacramento Job Corps. Candidates may also enroll in one of the unions’ apprenticeship programs. Upon completion of the programs and successfully passing the State of California Department of Apprenticeship Standards exam, apprentices join their trades’ unions and are available to work on construction projects. When contractors want to hire additional apprentices, they will inform the unions and the unions will dispatch available apprentices to work on the Golden1 Center. SETA is tasked with tracking and keeping records of the priority apprentices that have worked on the Golden1 Center project.

In addition to the requirements of the Priority Apprentice Program, the parties of the CWTA Supplemental Agreement agree to ensure apprentices work no less than 20 percent of the total number of building and construction trade hours performed on the project. Turner Construction Company requests monthly workforce reports from employers to ensure the project is meeting its CWTA goals.

Diversified Contract Management Group (DCM), a compliance monitoring company, is tasked with ensuring labor compliance on the Golden1 Center project including prevailing wage monitoring for journeymen and apprentices. DCM works with SETA to help identify priority apprentices and provide reports as requested to assist in tracking their hours worked on the Golden1 Center project. DCM also assists Turner Construction Company in tracking compliance with the local hiring goals in the CWTA.

Upon completion of the programs and successfully passing the State of California Department of Apprenticeship Standards exam, apprentices join their trades’ unions and are available to work on construction projects.

Local and Small Business Involvement Plan

The Golden1 Center project includes a local and small business utilization program in order to ensure participation by local business enterprises and small business enterprises. The program seeks to award 60 percent of biddable work related to Golden1 Center design, construction, and professional services to local business enterprises and 20 percent to small business enterprises (of which 75 percent must be *local* small business enterprises).

In order to meet the requirements of a local business enterprise, a business must:

1. Be a sole proprietorship, partnership, limited liability company, corporation, or any other business entity that provides services required for the Golden1 Center's development; *and*
2. Have held a legitimate business presence for at least twelve consecutive months prior to bidding in one of the following counties: Sacramento, Yolo, Placer, El Dorado, San Joaquin, Sutter, and Yuba.

Figure 3 below identifies the local counties for the local business involvement goals.

Figure 3: Counties of Local Business Enterprises



Source: Generated by the Information Technology Department from review of the Community Workforce and Training Agreement Supplemental Agreement.

The Golden1 Center project includes a local and small business utilization program in order to ensure participation by local business enterprises and small business enterprises.

In order to meet the requirements of a small business enterprise, a business must satisfy any of the following criteria:

1. Is a certified small business with the California Department of General Services; or
2. Meets *the California Small Business Procurement and Contract Act's* definition of a small business; or
3. Meets the U.S. Small Business Administration definition of a “small business concern” and its principal office and officers are located in California.

The Sacramento Metropolitan Chamber of Commerce, Sacramento Regional Builders Exchange, and Strategic Contract Solutions (a firm providing services such as human resources consulting and project management) share a contract to ensure the project meets the Golden1 Center’s business involvement goals.

Sacramento First Community Advisory Council

The Sacramento First Community Advisory Council (CAC) was established in May 2014 to provide oversight and monitor progress towards community impact goals on the Golden1 Center. The Sacramento First CAC convenes on a quarterly basis during the construction of the Golden1 Center to receive updates and measure progress. As of June 2015, the Sacramento First CAC consisted of the following members:

1. Allen Warren – City of Sacramento Councilmember (Co-Chair)
2. Clothilde Hewlett – Partner at Nossaman LLP (Co-Chair)
3. Daniel Conway – Chief of Staff to Mayor Kevin Johnson
4. Azizza Goines – President and CEO of Sacramento Black Chamber of Commerce
5. Kevin D. Brown – Pastor at Mt. Sinai Missionary Baptist Church
6. Kathy Kossick – Executive Director of Sacramento Employment and Training Agency (SETA)
7. Peter Tateishi – President and CEO of Sacramento Metropolitan Chamber of Commerce
8. Dennis Canevari – President of Sacramento-Sierra Building and Construction Trades Council
9. Lino Pedres – President of Sacramento Central Labor Council
10. Michael Ault – Executive Director of Downtown Sacramento Partnership
11. Clint Williams – Business Development Manager at Turner Construction
12. Shelly Willis – Executive Director of Sacramento Metropolitan Arts Commission
13. Alastair McGregor – Vice President of AECOM
14. Michael Tuohy – Executive Chef of the Sacramento Golden1 Center

The Sacramento First Community Advisory Council was established in May 2014 to provide oversight and monitor progress towards community impact goals on the Golden1 Center.

Objective, Scope and Methodology

The objective of the *Audit of the Golden1 Center Local Hiring and Business Involvement* was to evaluate the project's local hiring and business involvement performance and review the processes for monitoring project achievements. Our scope included local hiring, priority apprenticeship, and local and small business involvement commitments made for the construction of the Golden1 Center from the beginning of the project in July 2014 to September 2015.

In performing our audit, we met with the various stakeholders involved in the Golden1 Center project and discussed each of their roles. In addition, we reviewed the various community impact goals, summarized payroll and contract data, and conducted data mining for potential issues such as contract and payroll amount errors. Further, we reviewed contracts and reconciled them with summarized data provided to us by Turner Construction Company and the Sacramento Metropolitan Chamber of Commerce to determine if the contracted amounts were appropriately identified by Turner Construction Company.

We also reviewed eligibility criteria for priority apprentices and utilized LCP Tracker, a City of Sacramento software system used for ensuring labor compliance on City construction projects, to run Payroll Detail Reports from July 2014 to August 2015. We reconciled the number of hours worked by each priority apprentice with a report provided to us by Diversified Contract Management Group. In addition, we analyzed LCP Tracker's payroll data to determine local hiring percentages. Finally, we performed a walkthrough on the construction site and spoke with priority apprentices working on the project.

The objective of the Audit of the Golden1 Center Local Hiring and Business Involvement was to evaluate the project's local hiring and business involvement performance and review the processes for monitoring project achievements.

Finding 1: Sacramento Downtown Arena, LLC Appears to be on Track to Meet the Golden1 Center Project's Local Hiring and Business Involvement Goals

In his May 2001 Executive Order D-37-01, former California Governor Gray Davis stressed the importance of small businesses to the California economy. Governor Davis' Executive Order required all state agencies "to pursue aggressively an annual 25 percent small business participation level in state contracting." The Golden1 Center project set local and small business involvement goals, similar to the State's Executive Order D-37-01, to stir economic development. The Golden1 Center performance targets for biddable work related to its design, construction, and professional services include goals of local business entity participation of 60 percent and small business participation of 20 percent--75 percent of which must be local small business entities. The Golden1 Center project also set goals for hiring of apprentices and journey-level workers. Our review found the various organizations tasked with tracking local hiring and business involvement goals are working together to achieve these goals. More specifically, our audit found:

- The Golden1 Center project appears to be exceeding its local hiring goals;
- The Golden1 Center project is slightly below its goal of ensuring apprentices perform at least 20 percent of the total hours on the project; and
- The Golden1 Center project appears to be on track to meet its local and small business involvement goals.

It is important to continue tracking the project's progress to ensure performance targets for local hiring and business involvement are achieved.

The Golden1 Center Project Appears to be Exceeding its Local Hiring Goals

The Community Workforce and Training Agreement (CWTA) for the Golden1 Center states, "In recognition of the mutual interest and desire of the parties to provide construction employment opportunities on the Project to residents of the City of Sacramento and the region...The parties agree to a hiring goal of 60%

The Golden1 Center project set local and small business involvement goals, similar to the State's Executive Order D-37-01, to stir economic development.

Local Area Residents of all journey-level workers performing Covered Work on the Project.” In addition, the CWTA states, “The parties agree to a hiring goal of 70% Local Area Residents of all Apprentices performing Covered Work on the Project.” As shown in Figure 1, local area residents include residents from Sacramento, Yolo, Placer, El Dorado, Amador, Sutter, Yuba, Nevada, Sierra and San Joaquin counties.

Local area residents include residents from Sacramento, Yolo, Placer, El Dorado, Amador, Sutter, Yuba, Nevada, Sierra and San Joaquin counties.

Diversified Contract Management Group (DCM) was hired by ICON Venue Group to ensure labor compliance and track the hours worked of apprentices, priority apprentices, and journey-level workers on the Golden1 Center project. DCM works with Turner Construction Company and the various subcontractors to collect certified payroll reports and ensure labor compliance. DCM provides monthly status reports to ICON Venue Group and Turner Construction Company that include any discrepancies found during their review of the payroll reports. To assess the project’s current local hiring performance, we analyzed the project’s payroll information to determine the number of apprentices and journey-level workers that are local area residents. We found that from the beginning of the project in July 2014 to August 2015, 80 percent of the apprentices and 63 percent of the journey-level workers were local area residents as defined by the CWTA. Figure 4 below identifies the percentage of apprentices and journey-level workers identified as local residents.

Figure 4: Local Hiring Percentages from July 2014 to August 2015

| | Number of Apprentices | Number of Journey-Level Workers | Total |
|----------------------|-----------------------|---------------------------------|-------|
| Local | 245 | 918 | 1,163 |
| Not Local | 61 | 549 | 610 |
| Total | 306 | 1,467 | 1,773 |
| Percent Local | 80% | 63% | 66% |

Source: Auditor compiled based on LCP Tracker 'Payroll Details' Report

We also reviewed and analyzed the payroll reports to determine the total number of workers and calculate the total payroll amounts by county in which the workers reside, which are shown in Figure 5 below.

As shown in Figure 5, over 700 of the workers live in Sacramento County and have received nearly \$8 million in pay as of August 2015. It appears DCM is working with Turner Construction Company and the various other subcontractors to ensure local hiring goals are met. As the project progresses, Turner Construction Company, with support from DCM, should continue to monitor the performance of the local hiring goals and ensure the project is meeting its goals.

It appears DCM is working with Turner Construction Company and the various other subcontractors to ensure local hiring goals are met.

The Golden1 Center Project is Slightly Below Its Goal to Ensure Apprentices Perform at Least 20 Percent of the Total Hours on the Project

The parties of the CWTA Supplemental Agreement agree to ensure apprentices perform no less than 20 percent of the total number of building and construction trade hours performed on the project. DCM tracks the performance of this goal as part of their labor compliance review process. During our audit, DCM informed us the Golden1 Center project is on track to meet this goal. However, our review of the payroll reports from the beginning of the project in July 2014 to August 2015 found the project is slightly below its goal with only 18 percent of the hours performed by apprentices. Figure 6 below identifies the percent of work completed by apprentices and journeymen from July 2014 to August 2015.

Figure 6: Hours by Journeymen and Apprentice from July 2014 to August 2015

| | Hours Worked | Percent of Total Hours |
|--------------------|---------------------|-------------------------------|
| Journeymen | 363,859 | 82% |
| Apprentice | 80,364 | 18% |
| Grand Total | 444,222 | 100% |

Source: Auditor compiled based on LCP Tracker 'Payroll Details' Report

Our review of DCM’s calculation found it was incorrectly calculating the percentage by only using the total number of hours performed by journeymen instead of the total hours performed by both apprentices and journeymen. DCM agreed with our methodology for calculating the total and informed us that the shortfall may also be attributed to other reasons such as certain trades not having an apprentice training program or an apprentice not being available when a contractor requests one to be dispatched by the local union. Although these issues may have contributed to the shortfall in performance, DCM should correct their calculation and continue to monitor performance to ensure the project meets its goal. Turner Construction Company informed us that as of September 2015, the Golden1 Center project was approximately 60 percent complete and in the middle of its peak labor period for the project. Based on the amount of work remaining, in our opinion, their current performance is close

enough to the goal that meeting the 20 percent target should be achievable by the end of the project.

The Golden1 Center Project Appears to be on Track to Meet Its Local and Small Business Involvement Goals

In an effort to develop local business and spark economic growth, a small and local business utilization program was developed for the Golden1 Center project. The program includes a goal of 60 percent participation by local business entities and 20 percent participation by small business entities--75 percent of which must be local small businesses. Local businesses are identified as those that have had an office in one of the following counties for at least twelve months prior to bidding for the Golden1 Center project: Sacramento, Yolo, Placer, El Dorado, San Joaquin, Sutter, and Yuba. To be identified as a small business, a business must be certified as a small business with the California Department of General Services, meet the *California Small Business and Procurement and Contract Act's* definition of a small business, or meet the US Small Business Administration definition of a "small business concern" and have its principal office and officers located in California.

Turner Construction Company and a team of representatives from the Sacramento Metropolitan Chamber of Commerce, Sacramento Regional Builders Exchange, and Strategic Contract Solutions track business involvement performance and work together to ensure businesses are appropriately identified as local and/or small business entities. During our audit, we reviewed the contracts and business involvement pledges of a sample of Turner Construction Company's subcontractors. We found nearly 78 percent of the Golden1 Center's biddable work is slated to be performed by local business entities and 22 percent is slated to be performed by small business entities, 96 percent of which are *local* small businesses. Figure 7 below identifies the dollar amount of contracts awarded to contractors by county from the beginning of the project in July 2014 to September 2015.

We found nearly 78 percent of the Golden1 Center's biddable work is slated to be performed by local business entities and 22 percent is slated to be performed by small business entities, 96 percent of which are local small businesses.

Figure 7: Total Contract Dollar Amounts by County from July 2014 to September 2015



Source: Generated by the Information Technology Department from summary of contracts awarded provided by the Sacramento Metropolitan Chamber of Commerce.

As shown in Figure 7, businesses in Sacramento County were awarded over \$198 million. The county with the next highest amount of awards was San Joaquin with \$43 million. The amounts in Figure 7 were calculated by reviewing pledged amounts in subcontractor contracts and do not reflect actual work, as the project is not yet complete. These calculations assume that all contractors will meet or exceed the business involvement goals pledged in their contracts. The local small business calculations assume that local businesses will subcontract work out to only local small businesses. Once the project is completed and all contracts are finalized, the Sacramento Metropolitan Chamber of Commerce will adjust the local business percentages to take into account subcontracts awarded to entities that are not local. Therefore, depending on whether the subcontractors adhere to their pledged use of local, small, and local small businesses in their contracts, the calculated percentages may change from what is currently reported.

Recommendations

We recommend the various organizations:

1. Continue to work together to ensure performance goals are being met.

We recommend the City Council:

2. Instruct the Office of the City Auditor to verify performance measures identified in this audit were met at the conclusion of the project.

Finding 2: Although the Priority Apprentice Program Appears to be on Track to Meet Its Goals, Improvements to the Program May Result in a Greater Impact to the Community

The Priority Apprentice Program was developed to encourage the hiring of disadvantaged individuals into construction apprenticeship positions for the Golden1 Center. As previously mentioned, the Community Workforce and Training Agreement's (CWTA) Supplemental Agreement requires a minimum of 70 priority apprentices hired to work on the Golden1 Center (see Figure 2). At least 20 of the 70 priority apprentices must be new apprentices meeting the priority worker criteria. During a City of Sacramento Council Meeting on December 16, 2014, Mayor Kevin Johnson stated, "The priority apprenticeship is an opportunity for folks to get started with a living wage, work, learn, go from one job site to another, and then be able to have a career that is making really good money; and I just want our public to understand that this is what it is about." Therefore, it is our understanding that the spirit of the Priority Apprentice Program is to provide apprentices with valuable training and experience needed to begin working in the construction industry and remain working long after the Golden1 Center project is completed. Our review of the Golden1 Center's Priority Apprentice Program found opportunities for improvement that may result in greater impacts to the local community. Specifically, our audit found:

- The Golden1 Center project appears to be on track to meet its Priority Apprentice Program goal;
- The Sacramento Employment and Training Agency obtained limited documentation to confirm individuals met the priority worker criteria;
- The Sacramento Employment and Training Agency misinterpreted the priority worker criteria;
- The Priority Apprentice Program could increase community impact by making greater efforts to identify individuals that meet the priority worker criteria; and
- The Priority Apprentice Program would benefit from establishing minimum hours that individuals should work.

The Priority Apprentice Program was developed to help disadvantaged individuals in Sacramento and the surrounding area start a career in the construction industry and improve their standard of living. Identifying individuals as priority apprentices without adequate documentation may result in inaccurate identification of priority apprentices thereby reducing the desired impact on the community and economy. In our opinion, improvements can be

Our review of the Golden1 Center's Priority Apprentice Program found opportunities for improvement that may result in greater impacts to the local community.

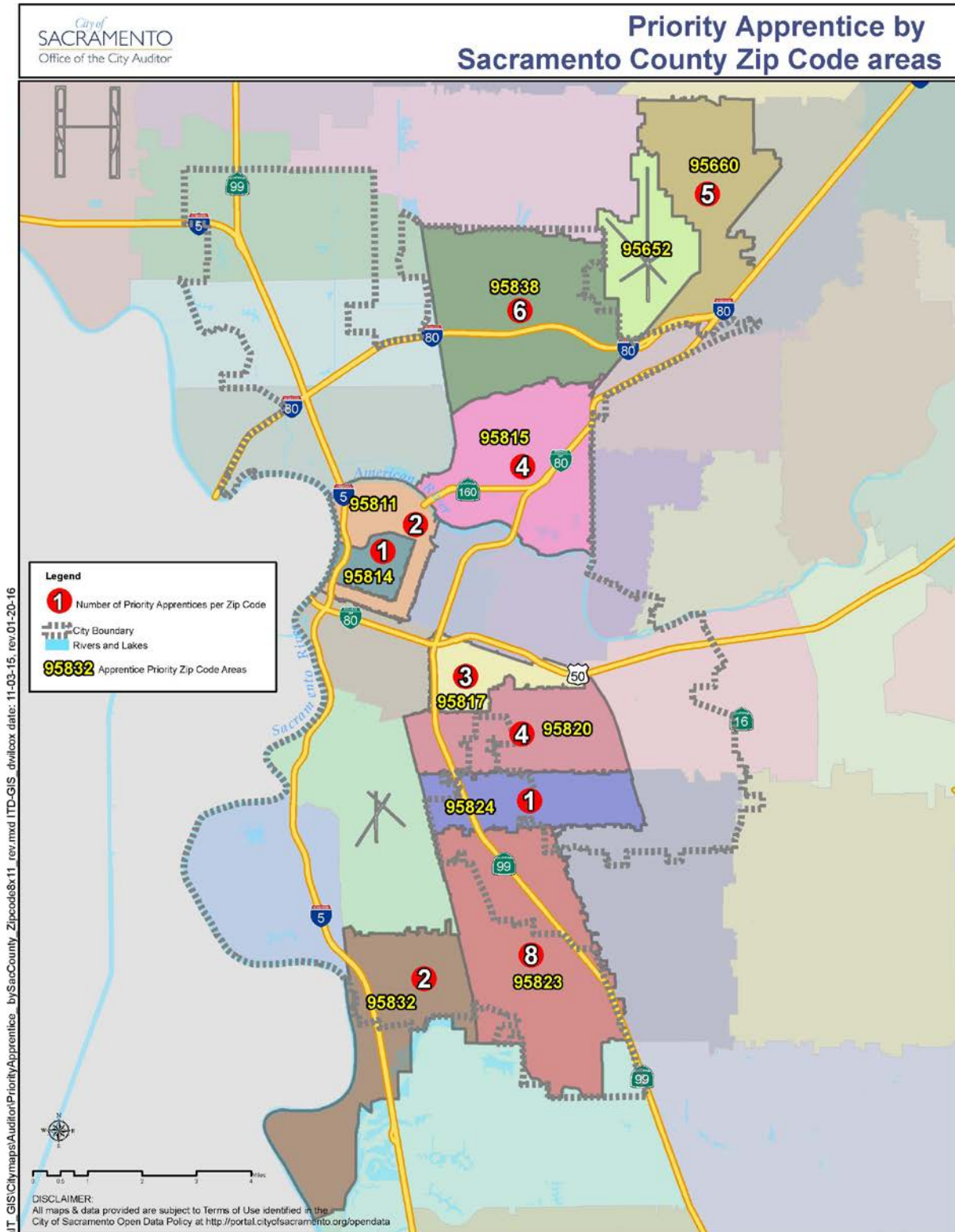
made to better ensure that the local impact sought by the City Council for the Priority Apprenticeship Program is met or exceeded.

The Golden1 Center Project Appears to Be on Track to Meet Its Priority Apprenticeship Program Goal

The Priority Apprenticeship Program has a goal to hire at least 70 priority apprentices to work on the Golden1 Center project. During a City Council meeting on March, 10 2015, Kunal Merchant stated, “Just to give you a sense of scale, when we advertised this program, we got 3,200 inquiries for this program for 70 positions. So from day one, we’ve known that the demand for jobs is always going to exceed the supply even in a project this size.” From July 2014 to September 2015, SETA had identified 40 individuals¹ meeting the Priority Apprenticeship Program requirements. Figure 8 below identifies the priority apprentices identified by SETA by zip code.

¹ Our testing found four of the forty individuals were not eligible for the Priority Apprenticeship Program as they did not meet the program requirements.

Figure 8: Number of Priority Apprentices by Zip Code from July 2014 to September 2015



Source: Generated by the Information Technology Department from review of the Priority Apprentices provided by SETA

SETA informed us there were 55 priority apprentices working on other projects, 46 ready for employment and 149 currently enrolled in an apprenticeship program, for a total of 250 other potential priority apprentices that may later work on the Golden1 Center project. Although at least 34 additional priority apprentices need to be hired, based on SETA’s information on the priority apprentices available and currently enrolled in an apprenticeship program, it appears the Golden1 Center project is on track to meet its goal.

Recommendation

We recommend the Sacramento Employment and Training Agency:

3. Continue to work towards meeting the priority apprentice goal of 70 for the Golden1 Center project.

The Sacramento Employment and Training Agency Obtained Limited Documentation to Confirm Individuals Met the Priority Worker Criteria

The Sacramento Employment and Training Agency² (SETA) is tasked with identifying and documenting priority apprentices that work on the Golden1 Center project. SETA accepts and processes the initial applications, collects applicant information, screens applicants, and reviews eligibility. SETA also documents the status of worker eligibility and confirms the worker meets the priority worker criteria. In some instances, more supporting documentation may be helpful in demonstrating how a worker meets the program’s eligibility requirements. For example, in order to confirm the employment of the new priority apprentices, we would expect SETA to maintain documentation that demonstrates the workers’ date of apprenticeship, address, and barriers identified to meet the priority worker criteria. As of September 2015, SETA had identified 40 priority apprentices working on the Golden1 Center project—12 of which were new and met the priority worker criteria. In an effort to confirm that each of the identified priority apprentices met the criteria, we reviewed the documentation that SETA inspected to determine eligibility. Our review of SETA’s files revealed that for nine of the 12 applications for new individuals meeting the priority worker criteria, SETA relied on the individuals’ self-attestation of barriers and did not obtain sufficient documentation to corroborate the individuals’ claims.

As of September 2015, SETA had identified 40 priority apprentices working on the Golden1 Center project – 12 of which were new and met the priority worker criteria.

SETA should obtain adequate documentation to demonstrate that those identified as priority apprentices as a result of being a priority worker are City of Sacramento residents and meet at least two of the barriers criteria. SETA’s documentation for the priority apprentices included a combination of State of

² While SETA is referred to in the CWTA Supplemental Agreement, SETA is a voluntary party to the CWTA.

California Department of Apprenticeship Standards Certifications (identifying the date of apprenticeship), State driver licenses, profile printouts from SETA's *Sac Works* software program, signed SETA applications for the Priority Apprentice Program, and payroll reports provided by DCM. However, SETA's files did not contain documentation to support the claims made by the applicants regarding their eligibility for the priority worker criteria. For example, a file for an applicant claiming to qualify as a priority apprentice based on his receiving public assistance or food stamps did not contain documentation such as a bank statement showing deposits, a copy of an Electronic Benefit Transfer (EBT) card, or a letter from a government agency verifying the claim.

The CWTA Supplemental Agreement allows SETA to determine an individual's conformity with the priority worker criteria "in a manner consistent with SETA's historic eligibility determination policies and practices." SETA explained their level of documentation is consistent with their current policies and practices which follow the State of California Employment Development Department's *Workforce Investment Act Eligibility Technical Assistance Guide* (Guide). The Guide states, "It is not the intent of this program to discourage participation by imposing difficult documentation and verification requirements." Although the guide allows applicant statements to be used in determining program eligibility, it also states, "Local areas must make reasonable efforts to document eligibility." The guide further states, "While an applicant statement is not considered a primary documentation source, applicant statements may be used when an item is unverifiable or it is unreasonably difficult to obtain." In our opinion, based on our review of the priority apprentice documentation, SETA did not make "reasonable efforts to document eligibility" beyond self-attestation of applicants for the priority worker criteria. Therefore, we were unable to confirm whether many of the individuals identified as priority apprentices actually met the priority worker criteria.

While it may be acceptable in some instances to allow individuals to self-attest to their address and barriers that identify them as priority apprentices, self-attestation should be an exception and not the norm. By allowing self-attestation to serve as the primary form of documentation, SETA is at risk of identifying individuals that do not meet the priority worker criteria or the priority zip code criteria as priority apprentices. In our opinion, SETA should make stronger efforts to obtain and review documentation that corroborates how applicants meet the priority apprentice requirements. If documentation cannot easily be obtained and SETA relies on self-attestation, SETA should document why they were unable to obtain it.

While it may be acceptable in some instances to allow individuals to self-attest to their address and barriers that identify them as priority apprentices, self-attestation should be an exception and not the norm.

In light of conversations conducted over the course of this audit, we were informed by Kunal Merchant that the Priority Apprentice Program has begun the process of strengthening documentation in cases of self-attestation through a new *Quick Intake Form* signed by each employee and employer confirming that the worker in question meets the priority apprenticeship standards.

Recommendations

We recommend the Sacramento Employment and Training Agency:

4. Confirm the priority status of individuals by reviewing official documentation rather than relying on applicants' self-attestation.
5. Review the list of existing priority apprentices and ensure the proper documentation is retained for each priority apprentice to document the priority apprentice criteria are met.

The Sacramento Employment and Training Agency Misinterpreted the *Priority Worker* criteria

The Community Workforce and Training Agreement's (CWTA) Supplemental Agreement requires at least 20 of the 70 priority apprentices to be new (admitted to an applicable Apprenticeship Program on or after April 1, 2014) and meet the priority worker criteria. To meet the priority worker criteria, an individual must be a resident of the City of Sacramento and meet two or more of the following barriers: economically disadvantaged; public assistance recipient; food stamps recipient; foster youth; homeless; offender; and veteran. As previously mentioned, SETA identified 12 of the 40 priority apprentices as meeting the criteria for the new priority apprentice requirement. However, our review of the 12 new priority apprentices identified by SETA found that six of them lived outside of the City of Sacramento and were therefore ineligible to meet the new priority apprentice requirement.

To meet the priority worker criteria, an individual must be a resident of the City of Sacramento and meet two or more barriers.

Discussions with SETA found that it misinterpreted the requirements of the priority worker criteria. According to SETA, it understood that in order to qualify as a priority worker, an individual had to meet at least two barriers and live in the City of Sacramento or priority zip code³. However, the CWTA Supplemental Agreement does not allow those considered part of the new priority apprentices to live outside of the City of Sacramento. As a result, SETA incorrectly counted six new priority apprentices. Three of these individuals should have been identified as meeting the 50 priority apprentice requirement instead of the 20 new priority apprentice requirement. The other three did not live in a priority

³ Although most of the priority zip codes are within the City of Sacramento, some of the zip codes include areas that fall outside of Sacramento's City limits.

zip code or within the City of Sacramento and were therefore ineligible to meet the priority apprentice requirements. Although we found only seven⁴ priority apprentices that meet the new priority apprentice requirement and 29 priority apprentices that meet the requirement for the other 50 priority apprentices, there is ample time and work remaining before the project's completion to recruit additional priority apprentices to meet both the new priority apprentice goal of 20 and overall priority apprentice goal of 70.

Recommendation

We recommend the Sacramento Employment and Training Agency:

6. Ensure those identified as meeting the priority worker criteria live within the City of Sacramento and meet at least two of the barriers criteria.

The Priority Apprentice Program Could Increase Community Impact by Making Greater Efforts to Identify Individuals that Meet the Priority Worker Criteria

Sacramento Downtown Arena, LLC (SDA) created a priority apprentice development program to encourage the hiring of disadvantaged individuals for construction apprenticeship positions on the Golden1 Center project. The Community Workforce and Training Agreement's (CWTA) Supplemental Agreement outlines the goal for the Priority Apprentice Program to hire at least 70 priority apprentices. According to the CWTA Supplemental Agreement, at least 20 of the priority apprentices must be new apprentices that meet the priority worker criteria and an additional 50 or more priority apprentices working on the project can either satisfy the priority worker criteria and/or live in one of the following priority zip codes: 95652, 95660, 95811, 95814, 95815, 95817, 95820, 95823, 95824, 95832, and 95838. During a City Council meeting on December 16, 2014, Kunal Merchant stated the Priority Apprentice Program was developed for individuals "who have historically had the most difficult time accessing employment and getting them opportunities, entry level opportunities, into construction." Given this goal and demand for jobs, we would expect a process to be in place to proactively seek out individuals from either the designated zip code and/or city residents that meet the priority worker criteria. However, based on our review, it appears the current process for identifying priority apprentices focuses primarily on identifying individuals that live in the designated zip codes. In our opinion, the Priority Apprentice Program may increase its impact in the community if SETA and the local unions made greater efforts to proactively identify more disadvantaged priority

Sacramento Downtown Arena, LLC created a priority apprentice development program to encourage the hiring of disadvantaged individuals for construction apprenticeship positions on the Golden1 Center project.

⁴ During our testing, we found one of the priority apprentices met the new priority worker criteria that was not identified by SETA.

apprentices and did not rely on Diversified Contract Management (DCM) to retroactively identify apprentices living in priority zip codes during their review of payroll records.

As previously discussed in the background section, due to the many avenues in which an individual may join the Priority Apprentice Program, the process for recruiting applicants is informal. Once the applicants complete the program and become apprentices, they are added to the trades unions' list of available workers. When a contractor requests an apprentice be dispatched to the jobsite, the unions review their list of available apprentices and attempt to dispatch apprentices that meet the priority apprentice criteria. If these priority apprentices went through SETA to become apprentices, SETA will already have their files and include them in their list of priority apprentices working on the Golden1 Center project. Other apprentices that did not go through SETA are later identified by DCM during their review of payroll information for labor compliance.

In an effort to identify apprentices meeting the priority apprentice criteria who may have been overlooked, DCM reviews the Golden1 Center project payroll reports to identify apprentices living in priority zip codes and provides SETA with a list of these individuals so that SETA may include these individuals in their list of priority apprentices. However, this effort focuses on identifying individuals that meet the priority zip code criteria and may not necessarily identify the priority apprentices dispatched by the unions. Our review of the priority apprentices found over a quarter of the individuals classified as priority apprentices by SETA were identified by DCM in this manner. As previously mentioned, the Priority Apprentice Program was intended to assist individuals who are historically unable to get jobs obtain employment through the construction industry. The practice of retroactively designating someone as a priority apprentice after a cursory review of their address in the payroll information does not appear to capture needs-based individuals meeting the priority worker criteria. While it appears the Priority Apprentice Program goal will be met by the end of the project, approaching it in this manner reduces the potential effect the program can have on individuals that truly have had a difficult time accessing employment.

To determine the extent to which this process affected the priority apprentice goals, we interviewed a sample of individuals identified as priority apprentices. Two of the three priority apprentices we interviewed stated they did not apply for the Priority Apprentice Program and were later informed they were identified as priority apprentices. One of the individuals stated they were already working for the contractor and were transferred to the Golden1 Center

Once the applicants complete the program and become apprentices, they are added to the trades unions' list of available workers.

project from another job. In our opinion, by retroactively identifying individuals after reviewing payroll data, the Priority Apprentice Program may not have as great an impact as it could if the unions worked directly with SETA to identify the true priority apprentices that are dispatched to work on the Golden1 Center. The parties responsible for administering the Priority Apprentice Program should make a stronger effort to proactively identify individuals who have historically had a difficult time accessing employment rather than identifying those that simply live in priority zip codes. Doing so may result in a greater impact to the local community as desired by the Sacramento City Council.

Recommendation

We recommend the Sacramento Employment and Training Agency and the local unions:

7. Work together to identify priority apprentices dispatched to the Golden1 Center project and not rely on DCM to identify apprentices that meet the priority zip code criteria during their cursory review of payroll records.

The Priority Apprentice Program Would Benefit From Establishing a Minimum Work Threshold

During a City of Sacramento Council Meeting on September 30, 2014, Kunal Merchant stated that the Golden1 Center project's Priority Apprentice Program "is an opportunity to bring people who are historically unable to get jobs into the middle class through the construction industry." Prior to working in the construction industry, individuals receive training to obtain the education necessary to work in the various trades. Individuals then work as apprentices on construction projects to gain experience in their trades. The Priority Apprentice Program provides apprentices experience through work on the Golden1 Center project to increase the apprentices' opportunities to obtain work and continue long-term careers in construction. However, our review found that some individuals were counted as priority apprentices even though they did not work very many hours on the project. The CWTA Supplemental Agreement does not require a minimum number of hours an individual has to work on the Golden1 Center project before being counted as a priority apprentice. As a result, the Golden1 Center project may not provide the apprentices with a reasonable amount of experience to grow in the construction industry.

Our review found that some individuals identified as priority apprentices did not work many hours on the project.

Individuals identified as priority apprentices should be able to leverage the experience gained on the Golden1 Center project to strengthen their resumes and find long-term employment in the construction industry. Our review of the number of hours priority apprentices were working on the Golden1 Center project found that eight of the 40 individuals identified as priority apprentices by SETA worked less than 80 hours on the Golden1 Center project—less than two weeks of full-time work. In one example, a priority apprentice had only worked two hours on the Golden1 Center project. For comparison purposes, we reviewed the project’s payroll reports to calculate the average hours apprentices worked on the project. We found that apprentices with at least 80 hours of work on the project from July 2014 to August 2015 have worked an average of 388 hours. Therefore, the project may meet the goal of hiring 70 priority apprentices, but this number may not reflect the actual number of individuals that gained sufficient experience on the Golden1 Center project to secure a career in the construction industry. Kunal Merchant provided us with possible explanations for the minimal hours worked by these eight apprentices. He asserted that these could have been apprentices that voluntarily left the project for other work, or that were dismissed because of performance or eligibility issues, such as a failed drug test. Additionally, these apprentices could have been recent hires that have not yet but likely will perform more than 80 hours of work.

We found eight of the 40 individuals identified as priority apprentices by SETA worked less than 80 hours on the Golden1 Center project.

In order to ensure that the individuals in the Priority Apprentice Program not only receive valuable training but also sufficient experience to improve the odds of the individuals’ long term success, Sacramento Downtown Arena, LLC should consider establishing a reasonable minimum work threshold before identifying individuals as priority apprentices.

Recommendation

We recommend Sacramento Downtown Arena, LLC:

8. Consider establishing a reasonable minimum threshold of hours worked before an individual can be identified as a priority apprentice.

Appendix A: Golden1 Center Local Hiring, Priority Apprentice Program, and Business Involvement Summary Progress

| Program Category | Goal ⁵ | Achievement to Date | Calculations as of: |
|--|----------------------------|---------------------|---------------------|
| Worker Programs | | | |
| a) Local Hire: Journey-Level | 60% of Journey-Level | 63% | August 2015 |
| b) Local Hire: Apprentices | 70% of Apprentices | 80% | August 2015 |
| Apprentice Hours | 20% of Total Project Hours | 18% | August 2015 |
| Priority Apprentice Program | | | |
| a) By Priority Zip Code/Priority Worker Criteria | 50 Priority Apprentices | 29 | September 2015 |
| b) By Priority Worker Criteria & New | 20 Priority Apprentices | 7 | September 2015 |
| Total Priority Apprentices | 70 Priority Apprentices | 36 | September 2015 |
| Business Programs | | | |
| Local Business | 60% of Biddable Budget | 78% | September 2015 |
| Small Business | 20% of Biddable Budget | 22% | September 2015 |
| Local Small Business | 75% of Small Business | 96% | September 2015 |

Source: Auditor compiled through review of the CWTA Supplemental Agreement, Local Business and Small Business Utilization Program, LCP Tracker Payroll Reports, the CWTA, SETA reports, Turner Construction Company reports, and Sacramento Metropolitan Chamber of Commerce reports.

⁵ See the *Background* section of the Audit Report for specific requirements of the program goals.

MEMORANDUM

DATE: January 25, 2016

TO: Jorge Oseguera, City Auditor

FROM: Sacramento Downtown Arena, LLC and Program Partners¹

SUBJECT: City of Sacramento Audit of the Golden1 Center Local Hiring and Business Involvement

Sacramento Downtown Arena, LLC (SDA) and our community partners have reviewed the City of Sacramento Audit of the Golden1 Center Local Hiring and Business Involvement. We thank the City Auditor’s office for the opportunity to detail our progress to date and receive feedback on further program enhancements.

We are encouraged by the City Auditor’s determination that our initiatives are on track to achieve all performance goals. This is particularly positive given our understanding that the local hiring and business involvement initiative represents a first-of-its-kind pilot program for the City of Sacramento that was voluntarily developed in the spirit of ensuring strong economic and community benefits from the construction of the Golden1 Center.

In response to the audit findings and recommendations, we have prepared the below response.

Finding 1: Sacramento Basketball Holdings, LLC Appears to be on Track to Meet the Golden1 Center Project’s Local Hiring and Business Involvement Goals

| City Auditor Recommendation | Response |
|---|---------------------------------|
| 1. Continue to work together to ensure performance goals are being met. | We support this recommendation. |
| 2. (To the City Council) Instruct the Office of the City Auditor to verify performance measures identified in this audit were met at the conclusion of the project. | We support this recommendation. |

¹ These include the Sacramento Employment and Training Agency, Turner Construction, the Sacramento-Sierra Building Trades Council, Diversified Contract Management, the Sacramento Metropolitan Chamber of Commerce and Strategic Contract Solutions.

Finding 2: Although the Priority Apprentice Program Appears to Be on Track to Meet Its Goals, Improvements to the Program May Result in a Greater Impact to the Community

| City Auditor Recommendation | Response |
|---|---|
| <p>3. Continue to work towards meeting the priority apprentice goal of 70 for the Golden1 Center project.</p> | <p>We support this recommendation. As of 1/22/2016, SETA and DCM report that the Priority Apprentice Program has enrolled 61 total priority apprentices and is on track to meet the performance goal of 70.</p> <p>We also note that accountability for delivering on our performance goals is shared among all parties – not just SETA. SETA is a voluntary party to the CWTA that leverages its workforce development programs as part of the collaborative effort. SETA does not exclusively control the intake or eligibility processes, and does not have direct access to eligibility documents for apprentices who are dispatched by the Building Trades affiliates to employers on the project. Consequently, in some instances, SETA must rely on the collaborative partnership of all parties and the voluntary provision of documentation by apprentices to confirm eligibility.</p> |
| <p>4. Confirm the priority status of individuals by reviewing official documentation rather than relying on applicants’ self-attestation.</p> | <p>We support this recommendation, and have already taken additional steps to enhance procedures in this area.</p> <p>Consistent with federal requirements, SETA’s efforts to obtain eligibility documentation are as follows:</p> <ol style="list-style-type: none"> 1) attempt to obtain documentation collaboratively from the other program partners; 2) attempt to collect documentation directly from participants; 3) attempt to gain knowledge of eligibility through SETA’s partnering agency who may have provided services based on the individual’s barriers. <p>When these efforts are exhausted, SETA must document program eligibility through self-attestation as a “last resort.”</p> <p>In recent months, the project partners and SETA have instituted a new <i>Quick Intake Form</i> that includes the Priority Apprentice, Employer/Contractor and Union Representative signatures. As noted in the Audit Report, this strengthened documentation confirms that the worker in question meets the priority apprenticeship standards.</p> |
| <p>5. Review the list of existing priority apprentices and ensure the proper documentation is retained for each priority apprentice</p> | <p>We support this recommendation and have already begun enhancing documentation procedures accordingly.</p> |

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| <p>to document the priority apprentice criteria are met.</p> | |
| <p>6. Ensure those identified as meeting the priority worker criteria live within the City of Sacramento and meet at least two of the barriers criteria.</p> | <p>We support this recommendation and have implemented additional processes to ensure that New Priority Apprentices are correctly identified and categorized.</p> <p>As of 1/25/16, SETA reports that 16 individuals have met these criteria, indicating that the program is on track to reach the goal of 20 by October 2016.</p> |
| <p>7. Work together to identify priority apprentices dispatched to the Golden1 Center project and not rely on DCM to identify apprentices that meet the priority zip code criteria during their cursory review of payroll records.</p> | <p>We support the recommendation in concept as a potential avenue to further expand access to the program by individuals meeting the priority criteria and exceed the initial goal of 20 that the program is currently on track to meet.</p> <p>We also note that currently, all parties <u>do</u> work together to identify priority apprentices dispatched to the Golden1 Center project. Several community based organizations, (e.g. Greater Sacramento Urban League, Sacramento ACT) have assisted SETA in identifying prospective candidates.</p> <p>In parallel, the Sacramento-Sierra Building Trades Council has worked extensively with its affiliate apprentice programs to identify and cultivate priority apprentice candidates. Turner Construction has also continually stressed the importance of hiring priority apprentices to Golden1 Center subcontractors in formal agreements, regular project meetings, and other forums.</p> <p>We recognize that documentation of these efforts may not meet traditional City audit format. As a practical matter, and to facilitate apprentice participation, interactions occur in a variety of forms, including formal and informal group meetings, presentations, and one-on-one interactions. This is a deliberate program design choice intended to limit the amount of paperwork required by and for apprentices to help ensure the most accessible program for potential apprentices.</p> <p>Program partners are unanimous in their shared desire to “fast track” worthy individuals to the project and not further burden or complicate the already fluid, challenging, and often unpredictable nature of construction apprenticeship work. In this context, extensive documentation requirements risk creating bureaucracy and red tape that could deter, delay or complicate efforts to expedite the hiring of priority individuals in great need of employment.</p> <p>We appreciate the Auditor’s feedback and will take it into</p> |

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| | <p>consideration. Our goal moving forward will be to enhance documentation in these areas while still seeking to maintain simple and streamlined pathways to the project for both priority workers and those who seek to support their hire.</p> |
| <p>8. Consider establishing a reasonable minimum threshold of hours worked before an individual can be identified as a priority apprentice.</p> | <p>We support the recommendation in concept and are researching industry best practices to determine what the precise minimum number of hours should be.</p> <p>Several reasons may explain why an individual may not complete a minimum threshold of hours by a certain date, including:</p> <ul style="list-style-type: none"> • recent start date on the project • limited nature of work being performed by apprentice • late or incomplete payroll information submitted by employer • transfer to different work site • performance or eligibility issues (e.g. poor performance, failed drug test) • voluntarily departure for personal reasons <p>DCM reports that as of January 15th 2016:</p> <ul style="list-style-type: none"> • 51 priority apprentices have completed 80+ hours of work; • 54 have completed 60+ hours of work; and • 56 have completed 40+ hours of work <p>With respect to the eight individuals identified by in the audit report as having completed less than 80 hours of work, SETA reports that:</p> <ul style="list-style-type: none"> • six still work for the same employer and have more than 80 hours with that employer between the Golden1 Center and other projects; • four have worked additional hours on the Golden1 Center since the audit’s “cutoff date”; • two have switched employers and have been dispatched to other work sites |

Additional comments from DCM with respect to the Audit Report’s finding that “The Golden1 Center Project is Slightly Below Its Goal to Ensure Apprentices Perform at Least 20 Percent of the Total Hours on the Project”:

Calculation of the apprentice utilization rate for the Golden1 Center varies depending on whether one adheres to the standards of California Labor Code² or the requirements of the CWTA.

Under California Labor Code, the Golden1 Center apprenticeship utilization rate is 21% and therefore above the 20% goal. However, under the methodology required by the CWTA, apprenticeship utilization rate was 18% during the time period studied by the City Auditor. The discrepancy results from three factors:

1. Apprentices may not always be available. In some cases, if the Joint Apprenticeship Training Committees (JATC) do not have any apprentice available, an apprentice will not be dispatched, but the contractor will have complied with the requirements and served their due diligence with respect to California Division of Apprenticeship Standards.
2. Not all trades are apprentice-able crafts. In several trades (e.g. Teamsters, Building Construction Inspectors, Field Soil and Material Testers, Asbestos Removal Workers) there are no JATC’s for a contractor to request a dispatch from.
3. Man count vs. hour count metric in certain trades. Contractors signatory to the Laborers and Operating Engineers are required to utilize based on a “man count”, where instead of utilizing one apprenticeship hour for every five journeymen hours, DCM monitors one apprentice for every five journeymen.

Under the California Labor Code methodology, hours performed in these three instances do not count towards the aggregate apprenticeship utilization rate. However, under the language of the CWTA, these hours do apply to the apprenticeship utilization rate, even though apprentice utilization is either limited or not feasible. This results in a systematically lower utilization rate.

DCM recommends assessing apprenticeship utilization on the basis of the California Labor Code, which unlike the CWTA, holds each contractor accountable for utilization based on specific criteria for its trade. However, DCM will continue to calculate and report apprentice utilization rates under both methodologies so that compliance may be evaluated under either standard.

² California Division of Apprenticeship Standards Ratios in accordance to Labor Code Section 1777.5 and Labor Code 230.1.