



April 5, 2017

VIA EMAIL

Representative Paul Holvey, Chair
House Committee on Business and Labor
900 Court Street NE
Salem, Oregon 97301

Dear Chair Holvey and Members of the Committee:

On behalf of the approximately 825 City of Portland employees represented by the Professional and Technical Employees Local 17, I write today in opposition of House Bill 3203.

A significant portion of our members in the City of Portland are engineers and technicians who are involved in project management and oversight in the City's major infrastructure bureaus. These employees see every day the costs associated with an ever-increasing reliance on contracted workforces for projects that were once done using the city's in-house staff. While there is a need to re-work the State's public procurement rules, we believe that HB 3203 is a step in exactly the wrong direction.

Because the \$125,000 threshold for requiring intensive cost analysis has not changed in decades in the face of inflation, the City of Portland bureaus are now sending small and routine projects to contractors at significant extra expense. The work required to prepare projects for bid, receive bids, and review contracts is significant and does not scale directly with the size of a project, resulting in situations in which the cost of contract procurement on a smaller project becomes a significant percentage of a project's cost. One of our engineering staff estimated that it costs approximately \$7,500 of her time to prepare a project for contracting. On the increasingly minor projects that fall under the \$125,000 threshold, this transaction cost makes small projects especially inefficient to perform with contracted labor.

Moreover, beyond contract procurement, it has been our experience that the cost of contracted services themselves can be significantly higher than in-house services. In professional services, we have seen that costs for contracted engineering is approximately 30% higher than in-house engineering, a result that has also borne out through analysis by the Oregon Secretary of State's Auditor's Office. Construction management costs incurred by the City for managing contracted crews can approach 15% of the total bid price. While we understand the need to contract out work in times of peak work load or when a private contractor offers an uncommon skill or specialty, we believe that current state law that is pushing smaller and more routine

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projects to contractors is acting against the public's interest of efficient project delivery.

Finally, there are many tasks involved in projects completed by the City of Portland that contract employees simply cannot do, such as accessing live water systems. For many projects completed by the Water Bureau, for example, contract workers complete one portion of a project while City employees will need to be brought in to handle more critical elements. In small projects that are now surpassing the \$125,000 threshold, the transaction costs associated with going through an entire contract procurement process only to have City work crews still need to participate in on the project is highly wasteful when that same City crew could have completed the entire project.

Our members are faced with the reality of ever-tightening infrastructure budgets every day. For years, they have understood that the non-indexed \$125,000 threshold for contracting services was resulting in increasingly inefficient project delivery. Unfortunately, by further binding the hands of engineers and project managers, HB 3203 would exacerbate this problem, rather than help to save public money. We respectfully urge you to join us in opposing HB 3203.

Sincerely,

A handwritten signature in black ink, appearing to read "Elliot Levin", with a long horizontal flourish extending to the right.

Elliot Levin
Research Director and Legislative Advocate
Professional and Technical Employees Local 17

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