



Media Contact:
Coby King
MWW Group
213.486.6560 x 319 (office)
310.489.3280 (cell)
cking@mww.com

FOR IMMEDIATE RELEASE

LACCD Responds:

LA Times Article on LACCD Contractors Arrangements Reveals Lack of Understanding as to Standards in the Construction Industry

Los Angeles, March 3, 2011 -- The Los Angeles Community College District (LACCD) said today that the Los Angeles Times story on LACCD's contracting arrangements reveals that the paper simply does not understand how contracting works in publicly-funded construction programs. This, despite the District's providing thousands of pages of documentation and briefing reporters for hours on the process. In fact, the system the Building Program uses is both standard in the industry and cost-efficient. The story, which claims that contracting arrangements resulted in the waste of taxpayer dollars (a charge the LACCD rejects), appeared in today's Times. The article also continues the sensationalist tone that has marred previous articles in the series.

In fact, the District has carefully and publicly explained the contractor system on a number of occasions. A document entitled "Program and Construction Management Billing Rates," was publicly presented to the Board of Trustees more than a year ago, on January 27, 2010, and revised as recently as September 2010. The document, which is available on the District website (www.laccd.edu) and on the Building Program's community and media site (www.laccdbuildsgreen.org), clearly explains the different types of billing arrangements that construction programs such as the LACCD's typically use.

The System the District Uses is Standard in the Industry

The type of system that the District uses, known as the "multiplier" type, is very common. In fact, as the document indicates, it is used by the following government entities, among many others:

- United States Federal Government
- Los Angeles Unified School District
- California DOT (Caltrans)
- City of Los Angeles
- City of San Francisco

++ more ++

LACCD Responds:

LA Times Article on LACCD Contractors Arrangements Reveals Lack of Understanding as to Standards in the Construction Industry

Page 2

- Rio Hondo Community College District
- San Bernardino Unified School District
- Metropolitan Transit Authority
- University of California System
- California State University System

The “multiplier” starts with the actual salary that an employee earns and then, through a method spelled out in federal regulations, provides extra compensation to the firm that employs the person, in order to cover overhead and benefits and to provide a standard 10% profit. The overhead multiplier covers the company’s cost of operating the business. Generally, overhead includes fringe benefits, taxes, insurance, home office support and other generally accepted costs of conducting business. Again, despite the Times’ assertion to the contrary, such a method is standard in the construction industry.

The Board of Trustees has Taken Action to Limit the Multipliers

As the article does note, the LACCD’s Board of Trustees has taken a careful look at the system on multiple occasions. Indeed, some of its interest in the system was prompted by inquiries by the Times. After a thorough examination, including a review by outside auditors, the Board of Trustees took steps to limit the multiplier on future contracts. However, no credible voice called the entire system into question. The resolution limiting contracting multipliers, which was adopted more than a year ago on February 10, 2010, will also be posted on the District website (www.laccd.edu) and on the Building Program’s community and media site (www.laccdbuildsgreen.org).

The Multiplier System is Standard Because it is Efficient

In addition, the Times’ implication that the system of allowing various subcontractors to employ Building Program employees is wasteful is completely wrong. In fact, it is an efficient use of program resources, as has been explained numerous times to the reporters. The system does not waste money but in fact creates organizational flexibility while allowing small, local, emerging, and disabled veteran (S/L/E/DV) firms to participate in the benefits of the Program in a meaningful way.

“The contracting methods used by the LACCD construction program are standard for these kinds of programs,” said Andy Wiktorowicz, P.E., Executive Director of the Western Council of Construction Consumers. “The idea that one can simply pay someone a salary and have that be the only cost to the Program is naïve and uninformed. I find it more than a little odd that despite more than 20 months of investigation, the Times didn’t do any due diligence to understand this.”

The most recent figures released by the Program on S/L/E/DV participation show that out of the \$2.1 billion that the Program has spent on renovating and modernizing the District’s campuses and facilities, more than half, or \$1.1 billion, has gone to small, local, emerging, or disabled veteran businesses, in a deliberate effort to make sure that the economic benefits of the building program reach qualified

LACCD Responds:

LA Times Article on LACCD Contractors Arrangements Reveals Lack of Understanding as to Standards in the Construction Industry

Page 3

contractors who have often been shut out of the process. While the Times article focuses on the use of the multiplier by small and local firms, there is no evidence of any waste presented.

“While the Times may not understand our contracting process, our auditors do, and they’ve given us consistently excellent marks in this area,” said Daniel J. LaVista, Ph.D., chancellor of the nine-college LACCD. “Sadly, this article continues the unfortunate tendency to find fault with a program that is constructing brand new campus facilities and renovating many others to give our students the world class facilities they deserve.”

NOTE: Previous responses to the Times series and supporting documentation are available on the District website (www.laccd.edu) and on the Building Program’s community and media site (www.laccdbuildsgreen.org).

About the Los Angeles Community College District

The Los Angeles Community College District, the nation's largest community college district, serves one-quarter million students a year in more than 36 cities in Los Angeles County. The District covers nearly 900 square miles and has educated and trained the region's diverse workforce since 1969.

About the LACCD Sustainable Building Program

With more than \$6 billion in bond funding to modernize its nine colleges, the LACCD’s Sustainable Building Program is one of the nation’s largest green construction efforts. For more information on the LACCD’s construction program and a list of awards the District has received for its environmentally responsible projects, visit www.laccdbuildsgreen.org.