



City Auditor's Office Memorandum

Date: May 13, 2015
 To: Richard A. Bowers, Acting City Manager
 From: Candace MacLeod, City Auditor
 Subject: Review of Bechtel 2014/2015 Job Retention Report

At the request of the Director, Economic Development, a review of Section 7 of Contract 7693, Job Retention and Economic Development Activities Agreement (Agreement) between the City of Glendale (City) and Bechtel Corporation, dated May 24, 2011, was conducted on April 20, 2015 by the City Auditor's Office. The Agreement pertains to Bechtel's Glendale facility at 5323 North 99th Avenue and includes a tenant improvement allowance plus a job retention incentive.

Under Section 7 of the Agreement, Bechtel is required to submit annual documentation to the city regarding the number of full-time and eligible retained employees at their Glendale facility. To earn the maximum job retention incentive, Bechtel must continuously employ at least 320 full-time employees at the Glendale facility during each month for the first three years of their operations in Glendale, which began in 2012. A job retention incentive of \$1,250 per eligible retained employee is available to Bechtel, payable in 2015 on the third anniversary of their commencement date, up to a maximum of \$400,000. An eligible retained employee is an individual employed by Bechtel on a full-time basis (minimum of 30 hours), earning an annual salary of at least \$50,000 and is offered comprehensive health insurance, with Bechtel paying at least 50% of the premium.

On April 7, 2015, Bechtel provided the auditor with a Job Retention Report (JRR) dated April 1, 2015, listing the monthly number of full-time employees earning salaries less than \$50,000 and the number of eligible employees earning salaries \$50,000 and above for the period April 1, 2014 to March 31, 2015. This information is summarized in Table 1.

Table 1

| Number of Employees | April 2014 | May 2014 | June 2014 | July 2014 | Aug 2014 | Sept 2014 | Oct 2014 | Nov 2014 | Dec 2014 | Jan 2015 | Feb 2015 | Mar 2015 |
|---------------------------|------------|----------|-----------|-----------|----------|-----------|----------|----------|----------|----------|----------|----------|
| Salary Under \$50,000 | 29 | 28 | 28 | 29 | 29 | 30 | 28 | 27 | 29 | 25 | 24 | 19 |
| Salary \$50,000 & Over | 385 | 386 | 390 | 392 | 389 | 388 | 386 | 381 | 372 | 366 | 364 | 361 |
| Total Full-Time Employees | 414 | 414 | 418 | 421 | 418 | 418 | 414 | 408 | 401 | 391 | 388 | 380 |



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The JRR indicated that Bechtel continuously employed at least 320 employees from April 2014 to March 2015. The auditor selected a random sample of 30 employees from the JRR and compared the hire and/or termination date (as applicable) at the Glendale facility, their work status (full-time or part-time) and their annual salary to the SAP payroll and benefits screens in Bechtel's Human Resources department. The auditor also selected 10 employees from Bechtel's office floor plan in Glendale and traced the hire and/or termination date, their work status and annual salary from the SAP payroll and benefits screens to the JRR. One employee that was selected by the auditor from Bechtel's floor plan could not be located on the JRR. This individual was reported to be an international full-time employee on assignment in Glendale from another country. According to a Bechtel representative, the JRR provided to the City only includes national full-time employees. No other exceptions in the dates of hire, work status or salary information were identified by the auditor in the sample.

The auditor was provided with a copy of Bechtel's medical benefits plan and the employer and employee split of premium costs. The benefits information provided by Bechtel indicated that the employer paid at least 50% of the premium, as required per Section 3(b) of the Agreement.

On April 21, 2015, in accordance with Section 7(b) of the Agreement, Bechtel provided the City with a signed and notarized statement certifying that they have for the past calendar year, maintained the continued employment of at least 320 positions at the Glendale facility, each of which was a full-time position as defined under paragraph 3(c) of the Agreement and at least 231 positions, each of which was an eligible retained employee as defined under paragraph 3(b) of the Agreement. On May 11, 2015, Bechtel provided the City with a revised signed and notarized statement certifying that they have, for the past calendar year, maintained the continued employment of at least 380 positions at the Glendale facility, each of which was a full-time position as defined under paragraph 3(c) of the Agreement and at least 361 positions, each of which was an eligible retained employee. According to Bechtel, the April 21, 2015 transmittal reflected the minimum number of employees required per the Agreement rather than the actual reported numbers that will support Bechtel's ability to receive the maximum job retention incentive under the Agreement.

Section 7(d) of the Agreement discusses employment levels that are required to be maintained by Bechtel at the Glendale facility up until the sixth year of the term of the Agreement. If specific employment levels are not met, Bechtel is required to refund all, or a portion of the job retention incentive paid to them by the City. It is therefore recommended that the City continue to monitor employment levels at Bechtel to ensure compliance with the Agreement.



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Please let me know if you have any questions or comments.

cc: Michael D. Bailey, City Attorney
Jennifer Campbell, Assistant City Manager
Tom Duensing, Interim Assistant City Manager
Brian Friedman, Director of Economic Development
Vicki Rios, Interim Director of Finance and Technology