

# URCA Viewpoint

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NEWS AND VIEWS FOR THE UNION ROOFER

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## Multi-Faceted Training Ensures URCA Member's Craftsmen Best in the Construction Industry

The Joint Apprenticeship Training Program (JATC) training classes are in full force for spring 2018. A variety of safety classes have been conducted since January. Continuous training is essential for Roofers/Waterproofers, since work has significantly increased again this year. Journeymen and apprentices need to maintain and upgrade their skills to support contractors in a competitive manner. New courses are currently in development for Core flex (ABAA) Air Barrier, Green Renewable Energy Systems, Monolithic Membrane, Single-Ply, Rainwater Harvesting, Vector Mapping, Flood Testing, Green Roofing and a variety of Waterproofing/Damproofing applications and coatings.

In addition, the JATC continues to offer training for both journeymen and apprentices in multiple facets of the trade such as, Built-Up, Cold Applied, Tile, Shingles, Solar Panels, Solar Roof Tiles,

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## "Big Win" for Southern California Labor/Management Compliance

In September 2005, the Southern California Union Roofers Labor-Management Trust (SCLMT) was created by and between Local Union 22/ Local Union 36 of the United Union of Roofers, Waterproofers and Allied Workers and the Union Roofing Contractors Association. This joint labor/management compliance committee was established pursuant to the Labor-Management Cooperation Act of 1978, 29 U.S.C. 175 (a).

In January of 2008 the SCLMT compliance program began in earnest to implement its mission of monitoring and policing the roofing and waterproofing industry. The SCLMT investigates violations of labor standards, submitting its findings to state, federal and local authorities for resolution. Over the last ten years, the SCLMT has successfully filed complaints against 65 non-compliant contractors totaling over 1.5 million dollars in back wages and other labor law penalties.

A "big win" for the SCLMT came in

March of 2017 as a result of a court judgment involving a class action suit filed by the SCLMT on behalf of "roof preparers" (plaintiffs) against their employer Honeycutt Tear-Off (defendant). The suit was filed on March 2, 2012 in Orange County Superior Court.



*Pictured left to right, Marcos Ong, Richard Salinas-So, Cal Union Roofers Compliance Trust, and Lisl Soto- Legal Counsel for the Trust.*

The lawsuit asserted that Honeycutt failed to pay workers for: all hours worked, overtime wages, prevailing wags and overtime prevailing wages. Additionally, the lawsuit alleged the defendant took "kickbacks" from roof

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**Ronald D. Johnston, Ph.D.**  
Executive Vice President

In collaboration with ASAC, as well as several other subcontractor associations, I am pleased to report that two bills URCA actively lobbied were signed by the Governor and chaptered in law during the first year (2017) of the current two year session.

SB 92 (Bonta) extends an existing law sunset date from January 1, 2018 to January 1, 2023. This law authorizes that the retention proceeds withheld from any payment by an awarding public entity from the original contractor, by the original contractor from any subcontractor and by a subcontractor from any other subcontractor not to exceed 5% unless there is a finding prior to the bid that the project is “substantially complex” and requires a higher retention.

AB 1223 (Caballero) requires, within ten days of making a construction contract payment, a state agency to post on its internet website the project for which the payment was made, the name of the construction contractor or company paid, the date the payment was made, the payment application number or other identifying information and

(OCIP) or prime contractor (CCIP) is that the plan sponsor does not always disclose the insurance coverage terms and subcontractors are left in the dark as to the uninsured risk exposure they undertake as a participant of a “wrapped project.”

Pursuant to Section 2 (a) (b) (c) (d) of the URCA/ASAC bill, the owner, builder or prime contractor obtaining the wrap-up insurance policy shall disclose the total amount or method of calculation of any credit or compensation for premium required from a subcontractor for that wrap-up policy in the contract documents. The contract documents shall disclose (1) the policy limits; (2) the scope of the coverage; (3) the policy term; (4) the basis upon which the deductible or occurrence is triggered by the insurance carrier; if the policy covers more than on work of improvement, the number of units, if any, indicated on the application for the insurance policy; (5) a good faith estimate of the amount of available limits remaining under the policy as of a date indicated in the disclosure obtained from the insurer. Furthermore, if the owner, builder or prime contractor obtaining the wrap-up insurance policy does not disclose the total amount or method of calculation of the premium credit or compensation to be charged to the participant prior to the time the participant submits its bid, the participant shall not be legally bound by the bid unless that participant has the right to increase the bid up to the amount equal to the difference between the amount the participant included for insurance in the original bid and the amount of the actual bid credit required by the owner, builder or prime contractor obtaining the wrap-up insurance policy.

Only on private residential projects are subcontractors guaranteed sufficient disclosure of “wrap-up” insurance terms. There is no good reason for treating commercial or public works projects differently. This bill would apply a standard set of disclosure requirements for all “wrap-up” insurance projects.

The Senate Rules Committee has not yet assigned the bill to its “Committee of Origin” but that will be established before the end of February and committee hearings will begin in March. Stay tuned for updates as the bill moves forward.



Left to Right: ASAC representatives Brett Eckles, Skip Daum, URCA Exec VP-Ron Johnston, Assemblywoman Caballero, ASAC representatives Dan McClennon, Scott Holmgren.

the amount paid. This law provides more transparency regarding payments made by state agencies to prime contractors and allow subcontractors to be paid for work performed as mandated by a contract with the prime contractor in a more expeditious manner.

The top legislative priority for URCA, during the second year (2018) of the current legislative session, is co-sponsoring with ASAC a “wrap up” insurance bill (SB1077), which Senator Wilk has agreed to author.

A major problem for subcontractors contemplating bidding on a “wrapped insurance” project, whether it be controlled by the owner



## “Big Win” Continued

preparers on prevailing wage jobs; failed to provide second meal breaks; failed to provide complete and accurate wage statements and failed to pay all wages owed at discharge or quitting.

Plaintiffs claimed that Honeycutt maintained a company-wide policy of requiring roof preparers to work off-the-clock before and after the daily hours recorded on the fraudulent timecards used to calculate their pay. As a result of this policy, Plaintiffs claimed Honeycutt systematically failed to pay roof preparers for all hours they worked. Specifically, the lawsuit alleged Honeycutt required roof preparers to arrive at the yard to start working at 5:30 A.M and then to work until whatever time their foreman dropped them back off at the yard. Yet, Honeycutt did not track time worked on roof preparers’ time cards until they arrived at the jobsite.

The “kickback” scheme was the most egregious of all violations. Under a company-wide policy, Plaintiffs claimed

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*“...they would be fired if they did not comply with the “kickback” scheme.”*

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Honeycutt failed to pay the prevailing wage for work on public works projects by either (1) requiring roof preparers to pay back two-thirds of all prevailing wages they earned, or (2) paying roof preparers the incorrect and lower regular wage instead of the correct higher prevailing wage.

Plaintiffs alleged roof preparers received their prevailing wage checks in envelopes on which their superintendent handwrote a monetary amount, usually equal to one-third of the total prevailing wages due to them. Then, Honeycutt required roof preparers to cash their paychecks at a mobile check-cashing van, which came to the yard every payday, keep the amount handwritten on the envelope and return the difference in cash to their superintendent. Roof preparers were told by Honeycutt management that they would be fired if they did not comply with the “kickback” scheme.

As an alternative means of avoiding payment of prevailing wages to roof pre-

parers, Plaintiffs claimed Honeycutt simply cheated workers directly by paying them their regular-substantially-lower private job rate of pay (\$8.00-\$9.50) for hours worked on public works projects, instead of the much higher prevailing wage rate, which is roughly 3 to 4 times higher than the regular pay rate.

Plaintiffs claimed that by failing to pay its roof preparers for all the hours they actually worked and by failing to pay them the correct hourly prevailing wage on public works projects, Honeycutt artificially underbid law-abiding contractors on construction projects and reaped the ill-gotten profits as a result.

On March 17, 2017, the Court issued a judgment and ordered the following:

\*The Class claims were dismissed without prejudice. In other words, class members would still have the option to pursue their claims against Honeycutt, subject to any applicable legal time limitations.

\*The named plaintiffs and attorney received a total of \$170,000 from Honeycutt, which was also required to pay any employer-share of payroll taxes. This figure does not include any attorney fees Honeycutt accrued as a result of seven years of litigation.

\*The Court ordered some “extraordinary remedies including: (1) Prohibiting Honeycutt from violating California wage and hour laws for a period of six years. The Court ordered that Plaintiffs could take any and all available legal action upon a breach of this Order, including seeking an order of contempt of court, or disbarment or suspension of Honeycutt’s license with the CSLB; (2) Ordering Honeycutt to implement a new manual of rules for employees correctly reflecting California labor laws and its supervisors would be trained in these rules by a third-party and distributed to all hourly employees; (3) Perhaps most importantly, the Court ordered that Honeycutt was forbidden to bid on public works projects for six years i.e. March 17, 2017 to March 17, 2023.



## NRCA Report

URCA has been in active supporter of the National Roofing Contractors Association since 2001. URCA EVP Ron Johnston has served on the NRCA’s Governmental Relations Committee since 2010, as well as serving as a board member of the NRCA Affiliates Council since 2001.

NRCA EVP, Reid Ribble, who served in Congress as a member of the House of Representatives for three terms, took the initiative to organize a “March on Washington” which will include stakeholders from the entire roofing industry to meet with congressional legislators on March 6-7 in Washington D.C. As you know, our industry is comprised of raw material suppliers, manufacturers, distributors, designers, consultants and contractors all with their own interests. But, now is the time to put aside specific interests for the benefit of the industry and to speak with one voice.

Unfortunately, too many members of Congress believe roofing professionals want to hire illegal labor and pay them cash under the table. They overlook the fact that roofing professionals legally hire individuals and pay them solid living wages. Congress cannot ignore roofing professionals if they show up en masse with the same message.

### THE TAX CUTS AND JOBS ACT

NRCA actively supported the “The Tax Cuts and Jobs Act,” which was recently passed by Congress and signed into the law by President Trump. This law provides many benefits to roofing contractors including the expansion of expensing limits under Section 179. Under this section the maximum amount a business may expense is set at \$1 million and the phase-out threshold increasing to \$2.5 million. These new limits are effective for properties placed in service in taxable years beginning after December 31, 2017 and the amounts will be indexed for inflation starting in 2019.

In addition to expanding the amounts that may be expensed, the new law expands the definition of qualified real property eligible for Section 179. As of

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**JATC Training Continued**

Integrated Photovoltaic, Damproofing, Single-Ply, Rigid, Metal Roofing, Waterproofing Envelopes Systems and various Waterproofing techniques. Renewed safety certifications and training are required due to the ongoing changes in governmental agencies' safety requirements. As the JATC training center grows, additional training space, equipment, and materials are vital to hands-on training. The partnership between Labor and Management supports the JATC in delivering training and reinforces what is needed to build a strong technical foundation for apprentices and journeymen.



*Pictured left to right, Sandra Raigoza, Reginald Bribiesca, and Lupe Corral-Director of Training.*

**NRCA Report Continued**

January 1, 2018, qualifying property includes "improvements to non-residential real property placed in service after the date such property was placed in service: roofs, heating, ventilation and air-conditioning property, fire protection and alarm and security systems.

As a result of the aforementioned changes in Section 179 by the Tax Cuts and Jobs Act, qualifying taxpayers (generally small and mid-sized businesses) may now elect to fully expense the cost of any improvements to non-residential roofs beginning in 2018 and future years. Essentially, any improvements to non-residential roofs, including full reproofs of existing buildings, may now be expensed in the year of purchase by any taxpayer eligible to deduct expenses under Section 179.



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**The mission of the Union Roofing Contractors Association is to promote quality construction utilizing highly trained and skilled employees. The URCA is dedicated to the highest standards of professional integrity.**

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