

HOUSE BILL REPORT

EHB 2618

As Passed House:
February 17, 2014

Title: An act relating to public works projects of code cities.

Brief Description: Modifying provisions governing public works projects of code cities.

Sponsors: Representatives Gregerson, Ryu, Takko and Jinkins.

Brief History:

Committee Activity:

Local Government: 1/30/14, 2/3/14 [DP].

Floor Activity:

Passed House: 2/17/14, 61-36.

Brief Summary of Engrossed Bill

- Authorizes code cities with a population of 20,000 or more to have public works performed by city employees in any annual or biennial budget period at an amount equal to or less than 10 percent of the public works construction budget.
- Increases the monetary limits for public works projects that city employees can perform in code cities with a population of 20,000 or more.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 5 members: Representatives Takko, Chair; Gregerson, Vice Chair; Farrell, Fitzgibbon and Springer.

Minority Report: Do not pass. Signed by 4 members: Representatives Overstreet, Ranking Minority Member; Kochmar, Assistant Ranking Minority Member; Pike and Taylor.

Staff: Amanda Ondrick (786-7296) and Ethan Moreno (786-7386).

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Created in 1967, the Optional Municipal Code provides an alternative to the basic statutory classification system of municipal government. The optional municipal code provides broad statutory home rule authority to code cities in matters of local concern.

A code city may have unlimited public works performed by city employees. Qualifying public works projects are limited to \$60,000 for projects involving more than one trade or craft, and \$40,000 for projects involving only a single craft or trade or if the project is street signalization or street lighting.

Summary of Engrossed Bill:

Code cities with a population of 20,000 or more may have public works performed by city employees in any annual or biennial budget period at an amount equal to or less than 10 percent of the public works construction budget, including any amounts in a supplemental public works construction budget for the same budget period. These same code cities may not have city employees perform public works projects in excess of \$125,000 if more than one trade or craft is involved in the project or \$60,000 if only a single craft or trade is involved in the project or if the project is street signalization or street lighting.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Code cities with a population over 20,000 used to be able to do public works projects with limits of \$45,000 or \$90,000 before Engrossed Substitute Bill 1847 passed in 2009. Code cities now have limits of \$40,000 if there is a single craft or trade, \$60,000 if more than one craft or trade is involved, and the 10 percent limit on funds for public works projects was removed. Theoretically, cities could do hundreds of very small projects. Unfortunately, these per-project limits are too low for any city to do meaningful public works projects in-house. This is an issue that has affected a lot of code cities since the 2009 bill.

While cities will still bid out the vast majority of their projects, cities would like to take a few roadway rehabilitation projects in-house. The state of the economy has left much infrastructure work to be done and little resources to do it with. Government has been asked to do more with less and infrastructure is wearing out faster than it can be repaired or replaced. The ability to do projects in-house will help stretch cities' limited dollars. The public works limits need to be raised because most projects are \$80,000 to \$175,000 and a \$200,000 limit would allow these projects to be done. Some people may say the \$200,000 limit is high but if you look at inflation, people may say it is not high enough. The proposed transportation budget that allows some state ferry workers to do work in house is \$200,000. These are for very small projects like parking lots, overlays, and pothole repair. This bill enables cities to do very small projects in-house, which is cost effective. As a good faith measure, this bill has a 9 percent cap on the amount cities can use city employees to perform

public projects. This cap will ensure cities will bid out most of their work to outside contractors but allow the flexibility to use their existing work force to repair aging infrastructure if necessary. If the limits are not raised, these projects will not go to bid because the city cannot afford to do that; they will just go undone.

This bill is good for public employees who are doing the work and for citizens who are paying taxes for these jobs. The amount of money being discussed is minuscule and the ability to stretch in-house dollars is huge. This will not take away from contracted work because these are such low cost projects. Cities will be better able to align projects and utilize staff which makes government more efficient.

(Opposed) The large increases in the public works limits lead to large concerns. This kind of work can go on the small works roster very easily. Small works is up to \$300,000 and allows cities to bypass a major "bids and specs" process. There is an easy process for doing the vast majority of this work by private industries. Private tax paying citizens want a chance to do this work. Having a contractor do the work comes with a guarantee of how that work will be done and serviced. If a contractor does improper installation, they have to fix it on their own dime, but if government does it, government has to pay twice as much for the same work to be repaired or redone. When discussing labor and prevailing wage, there is no accounting for other costs that are real but not accounted for like supervision and overhead. There is opposition to the portion of the bill that would raise limits and hamper private contractors to do work.

The issue of construction needs to be closely studied. Government employees should not be doing work in construction because it takes private sector jobs away. If the private sector does the work, cities do not need to own the equipment. Private sector should do all the construction work because that is what this state and country are all about. There will need to be an increase in employment for the cities if they start taking on these projects. Otherwise, there are currently city employees that do not have enough work.

Persons Testifying: (In support) Representative Gregerson, prime sponsor; Doug Levy, Cities of Kent, Everett, Renton, Redmond, Puyallup, Issaquah and Lake Stevens; Kathy Hardy, City of Kent; Anthony Marietta, Teamsters Local 763; and Alison Hellberg, Association of Washington Cities.

(Opposed) Van Collins, Associated General Contractors of Washington; and Larry Stevens, Mechanical Contractors Association of Western Washington and National Electrical Contractors Association.

Persons Signed In To Testify But Not Testifying: None.