

# SENATE BILL REPORT

## HB 2682

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As of February 26, 2014

**Title:** An act relating to modifying provisions governing the competitive bidding process of water-sewer districts.

**Brief Description:** Modifying provisions governing the competitive bidding process of water-sewer districts.

**Sponsors:** Representatives Green, Muri, Scott, Kirby, Warnick, Wilcox, Haler, Zeiger and Hayes.

**Brief History:** Passed House: 2/12/14, 81-16.

**Committee Activity:** Governmental Operations: 2/25/14.

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### SENATE COMMITTEE ON GOVERNMENTAL OPERATIONS

**Staff:** Karen Epps (786-7424)

**Background:** Water-sewer districts (Districts) provide water and sewer services to incorporated and unincorporated areas. Districts are established through a petition, public hearing, and voter approval process and are each managed by a board of elected commissioners. District powers include the authority to purchase, construct, maintain, and supply waterworks to furnish water to inhabitants, and to develop and operate systems of sewers and drainage.

Competitive bidding is required for all work ordered by a District with an estimated cost in excess of \$20,000. Any purchases by the District of materials, supplies, or equipment, which has an estimated cost in excess of \$40,000 must be let by contract. Purchases with an estimated cost of \$50,000 or more must be made by competitive bidding. As an alternative to the competitive bidding process for contracts that exceed the estimated cost threshold, a district may let works contracts using the small works roster process. Competitive bidding requirements may be waived if an applicable exemption applies to the purchase or public work.

**Summary of Bill:** The limit for work ordered by a District that requires competitive bidding is increased from \$20,000 to \$90,000.

**Appropriation:** None.

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*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.*

**Fiscal Note:** Not requested.

**Committee/Commission/Task Force Created:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** PRO: This bill was brought by the water and sewer districts. The amount for competitive bidding for water and sewer districts has not been raised since 1979. The spirit of the competitive bidding was that with large projects, those projects should go out competitively so that taxpayers and ratepayers get the best deal. It is appropriate at this time to increase this threshold amount to \$90,000 which is the threshold that cities and counties have for competitive bidding. This bill addresses an issue of parity with water and sewer districts and cities and counties. Small utilities need this change in order to remain competitive. There needs to be some relief for smaller utilities so that they can do these projects affordably and not have to increase their rates to their customers. Water and sewer infrastructure is the most expensive infrastructure utility, which is why water and sewer districts need this change. This bill does not require that the work be done in house. Because the district pulls the right-of-way permit to get the work done, they are responsible to the local jurisdiction to maintain the infrastructure that is being worked around. This presents a need for inspectors that would not be needed if the district was doing the work themselves. Water and sewer districts are critical infrastructure with a public health mission. In-house work is always preferable to contracting out all but the largest projects in order to protect public health. These projects require that the people doing them understand the health mission and the need to keep pipes clean, but contractors are not trained to do so. Some water and sewer districts have put projects out to bid and the project ends up being four times the cost in order to fix problems that occurred during the construction process. Water and sewer districts can do the project in house for less cost for their ratepayers. Water and sewer district employees have the necessary expertise and are certified in the water works industry. The difference between cities' bid limits and districts' bid limits means that the districts costs for the same project have to include an additional 50 percent cost to the project. Installing water lines is the area of expertise of employees of water and sewer districts.

CON: Government should not do this work. There should not be government contracting. These projects should go out to bid. Water and sewer districts can use the small works roster where districts can send small works out on the roster without having to go through the complicated, costly bid process. Adding inflation to the statutes just creates more inflation. Going out to bid to a private contractor is the best way to get the best price for taxpayers and the ratepayers.

**Persons Testifying:** PRO: Representative Green, prime sponsor; Senator O'Ban, sponsor of Senate companion; Jeff Johnson, Spanaway Water Company; Marc Marcantonio, Water Cooperative of Pierce County; Randy Black, Lakewood Water District; Larry Jones, Alderwood Water and Wastewater.

CON: Larry Stevens, Mechanical Contractors Assn; National Electrical Contractors Assn.