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State of Washington

## SENATE BILL 5349

By Senators Dammeier, Hasegawa, Hewitt, Keiser, Rivers, Hobbs, and Kline Read first time 01/28/13. Referred to Committee on Governmental Operations.

63rd Legislature

2013 Regular Session

ACT Relating to revisions to alternative public works 1 contracting procedures; amending RCW 39.10.220, 39.10.230, 39.10.240, 2. 39.10.250, 39.10.260, 39.10.270, 39.10.280, 39.10.300, 39.10.320, 3 39.10.330, 39.10.340, 39.10.380, 39.10.385, 39.10.390, 4 39.10.400, 39.10.420, 39.10.440, 39.10.490, 43.131.407, and 43.131.408; reenacting 5 6 and amending RCW 39.10.210; adding a new section to chapter 43.131 RCW; 7 repealing RCW 39.10.500 and 39.10.510; providing an effective date; providing a contingent effective date; providing an expiration date; 8 9 and declaring an emergency.

- 10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 11 Sec. 1. RCW 39.10.210 and 2010 1st sp.s. c 36 s 6014 are each 12 reenacted and amended to read as follows:
- Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.
- 15 (1) "Alternative public works contracting procedure" means the 16 design-build, general contractor/construction manager, and job order 17 contracting procedures authorized in RCW 39.10.300, 39.10.340, and 18 39.10.420, respectively.
- 19 (2) "Board" means the capital projects advisory review board.

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(3) "Certified public body" means a public body certified to use design-build or general contractor/construction manager contracting procedures, or both, under RCW 39.10.270.

- (4) "Committee," <u>unless otherwise noted</u>, means the project review committee.
- (5) "Design-build procedure" means a contract between a public body and another party in which the party agrees to both design and build the facility, portion of the facility, or other item specified in the contract.
- (6) "General contractor/construction manager" means a firm with which a public body has selected ((and negotiated a maximum allowable construction cost)) to provide services during the design phase and negotiated a maximum allowable construction cost to act as construction manager and general contractor during the construction phase.
- (7) "Job order contract" means a contract in which the contractor agrees to a fixed period, indefinite quantity delivery order contract which provides for the use of negotiated, definitive work orders for public works as defined in RCW 39.04.010.
- (8) "Job order contractor" means a registered or licensed contractor awarded a job order contract.
- (9) "Maximum allowable construction cost" means the maximum cost of the work to construct the project including a percentage for risk contingency, negotiated support services, and approved change orders.
- (10) "Negotiated support services" means items a general contractor would normally manage or perform on a construction project including, but not limited to surveying, hoisting, safety enforcement, provision of toilet facilities, temporary heat, cleanup, and trash removal, and that are negotiated as part of the maximum allowable construction cost.
- (11) "Percent fee" means the percentage amount to be earned by the general contractor/construction manager as overhead and profit.
- (12) "Public body" means any general or special purpose government in the state of Washington, including but not limited to state agencies, institutions of higher education, counties, cities, towns, ports, school districts, and special purpose districts((, provided that for the 2009-2011 fiscal biennium, the definition of public body for this chapter does not include public bodies funded in section 1012, chapter 36, Laws of 2010 1st sp. sess. if alternative requirements or procedures of federal law or regulations are authorized)).

1 (13) "Public works project" means any work for a public body within 2 the definition of "public work" in RCW 39.04.010.

- (14) "Total contract cost" means the fixed amount for the detailed specified general conditions work, the negotiated maximum allowable construction cost, and the percent fee on the negotiated maximum allowable construction cost.
- (15) "Total project cost" means the cost of the project less financing and land acquisition costs.
- (16) "Unit price book" means a book containing specific prices, based on generally accepted industry standards and information, where available, for various items of work to be performed by the job order contractor. The prices may include: All the costs of materials; labor; equipment; overhead, including bonding costs; and profit for performing the items of work. The unit prices for labor must be at the rates in effect at the time the individual work order is issued.
- 16 (17) "Work order" means an order issued for a definite scope of 17 work to be performed pursuant to a job order contract.
- **Sec. 2.** RCW 39.10.220 and 2007 c 494 s 102 are each amended to 19 read as follows:
  - (1) The board is created in the department of ((general administration)) enterprise services to provide an evaluation of public capital projects construction processes, including the impact of contracting methods on project outcomes, and to advise the legislature on policies related to public works delivery methods.
    - (2) Members of the board are appointed as follows:
  - (a) ((The board shall consist of the following members appointed by the governor:)) Two representatives from construction general contracting; one representative from the architectural profession; one representative from the engineering profession; two representatives from construction specialty subcontracting; two representatives from construction trades labor organizations; one representative from the office of minority and women's business enterprises; one representative from a higher education institution; one representative from the department of ((general administration)) enterprise services; one individual representing Washington cities; two representatives from private industry; and one representative of a domestic insurer authorized to write surety bonds for contractors in Washington state.

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<u>each appointed by the governor</u>. All appointed members must be knowledgeable about public works contracting procedures. <u>If a vacancy</u> occurs, the governor shall fill the vacancy for the unexpired term;

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- (b) ((Three members shall be positions representing different local public owners, selected by the association of Washington cities,)) One member representing counties, selected by the Washington state association of counties((, and the Washington public ports association, respectively.));
- (c) ((One member shall be a representative from the public hospital districts, selected by the association of Washington public hospital districts.
- 12 (d))) One member representing public ports, selected by the
  13 Washington public ports association;
- 14 (d) One member representing public hospital districts, selected by
  15 the association of Washington public hospital districts;
- 16 <u>(e)</u> One member ((shall be a representative from)) representing 17 school districts, selected by the Washington state school directors' 18 association( $(\cdot)$ ); and
  - (((e) The board shall include)) (f) Two members of the house of representatives, one from each major caucus, appointed by the speaker of the house of representatives, and two members of the senate, one from each major caucus, appointed by the president of the senate. Legislative members are nonvoting.
  - (3) Members selected under subsection (2)(a) of this section shall serve for terms of four years, with the terms expiring on June 30th on the fourth year of the term.
  - (4) The board chair is selected from among the appointed members by the majority vote of the voting members.
  - (5) Legislative members of the board shall be reimbursed for travel expenses in accordance with RCW 44.04.120. Nonlegislative members of the board, project review committee members, and ((subcommittee)) committee chairs shall be reimbursed for travel expenses as provided in RCW 43.03.050 and 43.03.060.
- (6) ((If a vacancy occurs of the appointive members of the board, the governor shall fill the vacancy for the unexpired term.)) Vacancies are filled in the same manner as appointed. Members of the board may be removed for malfeasance or misfeasance in office, upon specific written charges by the governor, under chapter 34.05 RCW.

1 (7) The board shall meet as often as necessary.

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- 2 (8) Board members are expected to consistently attend board 3 meetings. The chair of the board may ask the governor to remove any 4 member who misses more than two meetings in any calendar year without 5 cause.
  - (9) The department of ((general administration)) enterprise services shall provide staff support as may be required for the proper discharge of the function of the board.
- 9 (10) The board may establish ((subcommittees)) committees as it desires and may invite nonmembers of the board to serve as committee members.
- 12 (11) The board shall encourage participation from persons and 13 entities not represented on the board.
- 14 **Sec. 3.** RCW 39.10.230 and 2010 1st sp.s. c 21 s 3 are each amended to read as follows:

The board has the following powers and duties:

- (1) Develop and recommend to the legislature policies to further enhance the quality, efficiency, and accountability of capital construction projects through the use of traditional and alternative delivery methods in Washington, and make recommendations regarding expansion, continuation, elimination, or modification of the alternative public works contracting methods;
- (2) Evaluate the use of existing contracting procedures and the potential future use of other alternative contracting procedures including competitive negotiation contracts;
- (3) Submit recommendations to the appropriate committees of the legislature evaluating alternative contracting procedures that are not authorized under this chapter;
  - (4) Appoint members of ((the)) committees; and
- 30 (5) Develop and administer questionnaires designed to provide 31 quantitative and qualitative data on alternative public works 32 contracting procedures on which evaluations are based.
- 33 **Sec. 4.** RCW 39.10.240 and 2007 c 494 s 104 are each amended to read as follows:
- 35 (1) The board shall establish a project review committee to review 36 and approve public works projects using the design-build and general

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contractor/construction manager contracting procedures authorized in RCW 39.10.300 and 39.10.340 and to certify public bodies as provided in RCW 39.10.270.

- (2) The board shall, by a majority vote of the board, appoint persons to the committee who are knowledgeable in the use of the design-build and general contractor/construction manager contracting procedures. Appointments must represent a balance among the industries and public owners on the board listed in RCW 39.10.220.
- (a) ((When making initial appointments to the committee, the board shall consider for appointment former members of the school district project review board and the public hospital district project review board.
  - (b)) Each member of the committee shall be appointed for a term of three years. However, for initial appointments, the board shall stagger the appointment of committee members so that the first members are appointed to serve terms of one, two, or three years from the date of appointment. Appointees may be reappointed to serve more than one term.
- $((\frac{(c)}{(c)}))$  (b) The committee shall, by a majority vote, elect a chair 20 and vice chair for the committee.
  - $((\frac{d}{d}))$  (c) The committee chair may select a person or persons on a temporary basis as a nonvoting member if project specific expertise is needed to assist in a review.
  - (3) The chair of the committee, in consultation with the vice chair, may appoint one or more panels of at least six committee members to carry out the duties of the committee. Each panel shall have balanced representation of the private and public sector representatives serving on the committee.
  - (4) Any member of the committee directly or indirectly affiliated with a submittal before the committee must recuse himself or herself from the committee consideration of that submittal.
  - (5) Any person who sits on the committee or panel is not precluded from subsequently bidding on or participating in projects that have been reviewed by the committee.
- 35 (6) The committee shall meet as often as necessary to ensure that 36 certification and approvals are completed in a timely manner.

**Sec. 5.** RCW 39.10.250 and 2009 c 75 s 2 are each amended to read 2 as follows:

The committee shall:

- (1) Certify, or ((recertify)) renew certification for, public bodies ((for a period of three years)) to use ((the)) design-build or general contractor/construction manager contracting procedures, or both((, contracting procedures for projects with a total project cost of ten million dollars or more));
- 9 (2) Review and approve the use of the design-build or general contractor/construction manager contracting procedures on a project by project basis for public bodies that are not certified under RCW 39.10.270;
  - (3) ((Review and approve the use of the general contractor/construction manager contracting procedure by certified public bodies for projects with a total project cost under ten million dollars;
    - (4)) Review and approve not more than ((ten)) fifteen projects using the design-build contracting procedure by ((certified and)) noncertified public bodies for projects that have a total project cost between two million and ten million dollars. Projects must meet the criteria in RCW 39.10.300(1). Where possible, the committee shall approve projects among multiple public bodies. ((In June 2010)) At least annually, the committee shall report to the board regarding the committee's review procedure of these projects and its recommendations for further use; and
  - $((\frac{5}{}))$  (4) Review and approve not more than two design-build demonstration projects that include procurement of operations and maintenance services for a period longer than three years.
- **Sec. 6.** RCW 39.10.260 and 2007 c 494 s 106 are each amended to 30 read as follows:
- 31 (1) The committee shall hold regular public meetings to carry out 32 its duties as described in RCW 39.10.250. Committee meetings are 33 subject to chapter 42.30 RCW.
- 34 (2) The committee shall publish notice of its public meetings at 35 least twenty days before the meeting in a legal newspaper circulated in 36 the area where the public body seeking certification is located, or

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where each of the proposed projects under consideration will be constructed. All meeting notices must be posted on the committee's web site.

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- (3) The meeting notice must identify the public body that is seeking certification or project approval, and where applicable, a description of projects to be considered at the meeting. The notice must indicate when, where, and how the public may present comments regarding the committee's certification of a public body or approval of a project. Information submitted by a public body to be reviewed at the meeting shall be available on the committee's web site at the time the notice is published.
- 12 (4)The committee must allow for public comment the on 13 appropriateness of certification of a public body or on the appropriateness of the use of the proposed contracting procedure and 14 the qualifications of a public body to use the contracting procedure. 15 The committee shall receive and record both written and oral comments 16 17 at the public ((hearing)) meeting.
  - Sec. 7. RCW 39.10.270 and 2009 c 75 s 3 are each amended to read as follows:
- 20 (1) A public body may apply for certification to use the design-21 build or general contractor/construction manager contracting procedure, 22 Once certified, a public body may use the contracting 23 procedure for which it is certified on individual projects ((with a 24 total project cost over ten million dollars)) without seeking committee 25 approval((. The certification period is)) for a period of three years. 26 Public bodies certified to use the design-build procedure are limited to no more than five projects with a total project cost between two and 27 ten million dollars during the certification period. A public body 28 29 seeking certification must submit to the committee an application in a format and manner as prescribed by the committee. The application must 30 31 include a description of the public body's qualifications, its capital 32 plan during the certification period, and its intended use of alternative contracting procedures. 33
  - (2) A public body seeking certification for the design-build procedure must demonstrate successful management of at least one design-build project within the previous five years. A public body seeking certification for the general contractor/construction manager

procedure must demonstrate successful management of at least one general contractor/construction manager project within the previous five years.

- (3) To certify a public body, the committee shall determine that the public body:
- (a) Has the necessary experience and qualifications to determine which projects are appropriate for using alternative contracting procedures;
- (b) Has the necessary experience and qualifications to carry out the alternative contracting procedure including, but not limited to:
  (i) Project delivery knowledge and experience; (ii) personnel with appropriate construction experience; (iii) a management plan and rationale for its alternative public works projects; (iv) demonstrated success in managing public works projects; (v) the ability to properly manage its capital facilities plan including, but not limited to, appropriate project planning and budgeting experience; and (vi) the ability to meet requirements of this chapter; and
- (c) Has resolved any audit findings on previous public works projects in a manner satisfactory to the committee.
- (4) The committee shall, if practicable, make its determination at the public meeting during which an application for certification is reviewed. Public comments must be considered before a determination is made. Within ten business days of the public meeting, the committee shall provide a written determination to the public body, and make its determination available to the public on the committee's web site.
- (5) The committee may revoke any public body's certification upon a finding, after a public hearing, that its use of design-build or general contractor/construction manager contracting procedures no longer serves the public interest.
- (6) The committee may renew the certification of a public body for ((one)) additional three-year periods. The public body must submit an application for recertification at least three months before the initial certification expires. The application shall include updated information on the public body's ((capital plan for the next three years, its intended use of the procedures)) experience and current staffing with the procedure it is applying to renew, and any other information requested in advance by the committee. The committee must review the application for recertification at a meeting held before

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- expiration of the applicant's initial certification period. A public body must reapply for certification under the process described in subsection (1) of this section once the period of recertification expires.
- 5 (7) Certified public bodies must submit project data information as 6 required in RCW 39.10.320 and 39.10.350.
- **Sec. 8.** RCW 39.10.280 and 2007 c 494 s 108 are each amended to 8 read as follows:

- (1) A public body not certified under RCW 39.10.270 must apply for approval from the committee to use the design-build or general contractor/construction manager contracting procedure on a project. A public body seeking approval must submit to the committee an application in a format and manner as prescribed by the committee. The application must include a description of the public body's qualifications, a description of the project, and its intended use of alternative contracting procedures.
- (2) To approve a proposed project, the committee shall determine that:
- (a) The alternative contracting procedure will provide a substantial fiscal benefit or the use of the traditional method of awarding contracts in lump sum to the low responsive bidder is not practical for meeting desired quality standards or delivery schedules;
- (b) The proposed project meets the requirements for using the alternative contracting procedure as described in RCW 39.10.300 or 39.10.340;
- (c) The public body has the necessary experience or qualified team to carry out the alternative contracting procedure including, but not limited to: (i) Project delivery knowledge and experience; (ii) sufficient personnel with construction experience to administer the contract; (iii) a written management plan that shows clear and logical lines of authority; (iv) the necessary and appropriate funding and time to properly manage the job and complete the project; (v) continuity of project management team, including personnel with experience managing projects of similar scope and size to the project being proposed; and (vi) necessary and appropriate construction budget;
- 36 (d) For design-build projects, ((construction)) public body

personnel ((independent of the design-build team)) or consultants are knowledgeable in the design-build process and are able to oversee and administer the contract; and

- (e) The public body has resolved any audit findings related to previous public works projects in a manner satisfactory to the committee.
- (3) The committee shall, if practicable, make its determination at the public meeting during which a submittal is reviewed. Public comments must be considered before a determination is made.
- (4) Within ten business days after the public meeting, the committee shall provide a written determination to the public body, and make its determination available to the public on the committee's web site. If the committee fails to make a written determination within ten business days of the public meeting, the request of the public body to use the alternative contracting procedure on the requested project shall be deemed approved.
- (5) ((The requirements of subsection (1) of this section also apply to certified public bodies seeking to use the general contractor/construction manager contracting procedure on projects with a total project cost of less than ten million dollars.
- 21 (6)) Failure of the committee to meet within sixty calendar days 22 of a public body's application to use an alternative contracting 23 procedure on a project shall be deemed an approval of the application.
- **Sec. 9.** RCW 39.10.300 and 2009 c 75 s 4 are each amended to read 25 as follows:
  - (1) Subject to the ((process)) requirements in RCW 39.10.250, 39.10.270, or 39.10.280, public bodies may utilize the design-build procedure for public works projects in which the total project cost is over ten million dollars and where:
  - (a) The ((design and construction activities, technologies, or schedule to be used are highly specialized and a design build approach is critical in developing the construction methodology or implementing the proposed technology)) construction activities are highly specialized and a design-build approach is critical in developing the construction methodology; or
    - (b) The ((project design is repetitive in nature and is an

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incidental part of the installation or construction)) projects selected provide opportunity for greater innovation or efficiencies between the designer and the builder; or

- (c) ((Regular interaction with and feedback from facilities users and operators during design is not critical to an effective facility design.)) Significant savings in project delivery time would be realized.
- (2) Subject to the process in RCW 39.10.270 or 39.10.280, public bodies may use the design-build procedure for parking garages, regardless of cost.
- (3) The design-build procedure may be used for the construction or erection of portable facilities as defined in WAC 392-343-018, preengineered metal buildings, or not more than ten prefabricated modular buildings per installation site, regardless of cost and is not subject to approval by the committee.
- (4) Except for utility projects and approved demonstration projects, the design-build procedure may not be used to procure operations and maintenance services for a period longer than three years. State agency projects that propose to use the design-build-operate-maintain procedure shall submit cost estimates for the construction portion of the project consistent with the office of financial management's capital budget requirements. Operations and maintenance costs must be shown separately and must not be included as part of the capital budget request.
- (5) Subject to the process in RCW 39.10.280, public bodies may use the design-build procedure for public works projects in which the total project cost is between two million and ten million dollars and that meet one of the criteria in subsection (1)(a), (b), or (c) of this section.
- 30 (6) Subject to the process in RCW 39.10.280, a public body may seek 31 committee approval for a design-build demonstration project that 32 includes procurement of operations and maintenance services for a 33 period longer than three years.
- **Sec. 10.** RCW 39.10.320 and 2007 c 494 s 203 are each amended to read as follows:
- 36 (1) A public body utilizing the design-build contracting procedure 37 shall provide ((for)):

1 (a) Reasonable budget contingencies totaling not less than five 2 percent of the anticipated contract value;

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- (b) ((Employment of)) Staff or consultants with expertise and prior experience in the management of comparable projects;
- (c) Contract documents that include alternative dispute resolution procedures to be attempted prior to the initiation of litigation;
- (d) Submission of project information, as required by the board; and
- (e) Contract documents that require the contractor, subcontractors, and designers to submit project information required by the board.
- 12 (2) A public body utilizing the design-build contracting procedure 12 may provide incentive payments to contractors for early completion, 13 cost savings, or other goals if such payments are identified in the 14 request for proposals.
- 15 **Sec. 11.** RCW 39.10.330 and 2009 c 75 s 5 are each amended to read 16 as follows:
  - (1) Contracts for design-build services shall be awarded through a competitive process using public solicitation of proposals for design-build services. The public body shall publish at least once in a legal newspaper of general circulation published in, or as near as possible to, that part of the county in which the public work will be done, a notice of its request for qualifications from proposers for design-build services, and the availability and location of the request for proposal documents. The request for qualifications documents shall include:
  - (a) A general description of the project that provides sufficient information for proposers to submit qualifications;
    - (b) The reasons for using the design-build procedure;
  - (c) A description of the qualifications to be required of the proposer including, but not limited to, submission of the proposer's accident prevention program;
  - (d) A description of the process the public body will use to evaluate qualifications and finalists' proposals, including evaluation factors and the relative weight of factors and any specific forms to be used by the proposers;
- 36 (i) Evaluation factors for request for qualifications shall 37 include, but not be limited to, technical qualifications, such as

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specialized experience and technical competence; capability to perform; past performance of the proposers' team, including the architect-engineer and construction members; and other appropriate factors. Cost or price-related factors are not permitted in the request for qualifications phase;

- (ii) Evaluation factors for finalists' proposals shall include, but not be limited to, the factors listed in (d)(i) of this subsection, as well as technical approach design concept; ((proposal price;)) ability of professional personnel; past performance on similar projects; ability to meet time and budget requirements; ability to provide a performance and payment bond for the project; recent, current, and projected workloads of the firm; ((and)) location; and cost or price-related factors. Alternatively, if the public body determines that all finalists will be capable of producing a design that adequately meets project requirements, the public body may award the contract to the firm that submits the responsive proposal with the lowest price;
  - (e) The form of the contract to be awarded;

- (f) The ((amount)) honorarium to be paid to finalists submitting responsive proposals and who are not awarded a design-build contract;
  - (g) The schedule for the procurement process and the project; and
  - (h) Other information relevant to the project.
- (2) The public body shall establish an evaluation committee to evaluate the responses to the request for qualifications based <u>solely</u> on the factors, weighting, and process identified in the request for qualifications <u>and any addenda issued by the public body</u>. Based on the evaluation committee's findings, the public body shall select not more than five responsive and responsible finalists to submit proposals. The public body may, in its sole discretion, reject all proposals and shall provide its reasons for rejection in writing to all proposers.
- (3) Upon selection of the finalists, the public body shall issue a request for proposals to the finalists, which shall provide the following information:
- (a) A detailed description of the project including programmatic, performance, and technical requirements and specifications; functional and operational elements; minimum and maximum net and gross areas of any building; and, at the discretion of the public body, preliminary engineering and architectural drawings; and
  - (b) The target budget for the design-build portion of the project.

(4) The public body shall establish an evaluation committee to evaluate the proposals submitted by the finalists. Design-build contracts shall be awarded using the procedures in (a) or (b) of this subsection. The public body must identify in the request for qualifications which procedure will be used.

- (a) The finalists' proposals shall be evaluated and scored based solely on the factors, weighting, and process identified in the initial request for qualifications and in any addenda published by the public body. Public bodies may request best and final proposals from finalists. The public body ((shall)) may initiate negotiations with the firm submitting the highest scored proposal. If the public body is unable to execute a contract with the firm submitting the highest scored proposal, negotiations with that firm may be suspended or terminated and the public body may proceed to negotiate with the next highest scored firm. Public bodies shall continue in accordance with this procedure until a contract agreement is reached or the selection process is terminated.
- (b) If the public body determines that all finalists are capable of producing a design that adequately meets project requirements, the public body may award the contract to the firm that submits the responsive proposal with the lowest price.
- (5) The firm awarded the contract shall provide a performance and payment bond for the contracted amount.
  - (6) The public body shall provide appropriate honorarium payments to finalists submitting responsive proposals that are not awarded a design-build contract. Honorarium payments shall be sufficient to generate meaningful competition among potential proposers on design-build projects. In determining the amount of the honorarium, the public body shall consider the level of effort required to meet the selection criteria.
- Sec. 12. RCW 39.10.340 and 2007 c 494 s 301 are each amended to read as follows:
- Subject to the process in RCW 39.10.270 or 39.10.280, public bodies may utilize the general contractor/construction manager procedure for public works projects where at least one of the following is met:
- 36 (1) Implementation of the project involves complex scheduling, 37 phasing, or coordination;

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1 (2) The project involves construction at an occupied facility which 2 must continue to operate during construction;

- (3) The involvement of the general contractor/construction manager during the design stage is critical to the success of the project;
- 5 (4) The project encompasses a complex or technical work 6 environment; or
  - (5) The project requires specialized work on a building that has historic significance.
- **Sec. 13.** RCW 39.10.380 and 2007 c 494 s 305 are each amended to read as follows:
  - (1) All subcontract work and equipment and material purchases shall be competitively bid with public bid openings. Subcontract bid packages and equipment and materials purchases shall be awarded to the responsible bidder submitting the lowest responsive bid. In preparing subcontract bid packages, the general contractor/construction manager shall not be required to violate or waive terms of a collective bargaining agreement.
  - (2) All subcontract bid packages in which bidder eligibility was not determined in advance shall include the specific objective criteria that will be used by the general contractor/construction manager and the public body to evaluate bidder responsibility. If the lowest bidder submitting a responsive bid is determined by the general contractor/construction manager and the public body not to be responsible, the general contractor/construction manager and the public body must provide written documentation to that bidder explaining their intent to reject the bidder as not responsible and afford the bidder the opportunity to establish that it is a responsible bidder. Responsibility shall be determined in accordance with criteria listed in the bid documents. Protests concerning bidder responsibility determination by the general contractor/construction manager and the public body shall be in accordance with subsection (4) of this section.
  - (3) All subcontractors who bid work over three hundred thousand dollars shall post a bid bond. All subcontractors who are awarded a contract over three hundred thousand dollars shall provide a performance and payment bond for the contract amount. All other subcontractors shall provide a performance and payment bond if required by the general contractor/construction manager.

(4) If the general contractor/construction manager receives a written protest from a subcontractor bidder or an equipment or material supplier, the general contractor/construction manager shall not execute a contract for the subcontract bid package or equipment or material purchase order with anyone other than the protesting bidder without first providing at least two full business days' written notice to all bidders of the intent to execute a contract for the subcontract bid package. The protesting bidder must submit written notice of its protest no later than two full business days following the bid opening. Intermediate Saturdays, Sundays, and legal holidays are not counted.

- (5) A low bidder who claims error and fails to enter into a contract is prohibited from bidding on the same project if a second or subsequent call for bids is made for the project.
- (6) The general contractor/construction manager may negotiate with the lowest responsible and responsive bidder to negotiate an adjustment to the lowest bid or proposal price based upon agreed changes to the contract plans and specifications under the following conditions:
- (a) All responsive bids or proposal prices exceed the available funds((, as certified by an appropriate fiscal officer));
- (b) The apparent low responsive bid or proposal does not exceed the available funds by the greater of one hundred twenty-five thousand dollars or two percent for projects valued over ten million dollars; and
- 24 (c) The negotiated adjustment will bring the bid or proposal price 25 within the amount of available funds.
  - (7) If the negotiation is unsuccessful, the subcontract work or equipment or material purchases must be rebid.
- 28 (8) The general contractor/construction manager must provide a 29 written explanation if all bids are rejected.
- **Sec. 14.** RCW 39.10.385 and 2010 c 163 s 1 are each amended to read 31 as follows:

As an alternative to the subcontractor selection process outlined in RCW 39.10.380, a general contractor/construction manager may, with the approval of the public body, select ((a)) mechanical subcontractors, ((an)) electrical subcontractors, or both, using the process outlined in this section. This alternative selection process may only be used when the anticipated value of the subcontract will

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exceed three million dollars. When using the alternative selection process, the general contractor/construction manager should select the subcontractor early in the life of the public works project.

- (1) In order to use this alternative selection process, the general contractor/construction manager and the public body must determine that it is in the best interest of the public. In making this determination the general contractor/construction manager and the public body must:
- (a) Publish a notice of intent to use this alternative selection process in a legal newspaper published in or as near as possible to that part of the county where the public work will be constructed. Notice must be published at least fourteen calendar days before conducting a public hearing. The notice must include the date, time, and location of the hearing; a statement justifying the basis and need for the alternative selection process; ((and)) how interested parties may, prior to the hearing, obtain the evaluation criteria and applicable weight given to each criteria that will be used for evaluation; and protest procedures including time limits for filing a protest, which may in no event, limit the time to file a protest to fewer than four business days from the date the proposer was notified of the selection decision;
- (b) Conduct a hearing and provide an opportunity for any interested party to submit written and verbal comments regarding the justification for using this selection process, the evaluation criteria, ((and)) weights for each criteria, and protest procedures;
- (c) After the public hearing, consider the written and verbal comments received and determine if using this alternative selection process is in the best interests of the public; and
- (d) Issue a written final determination to all interested parties. All protests of the decision to use the alternative selection process must be in writing and submitted to the public body within seven calendar days of the final determination. Any modifications to the criteria ((and)), weights, and protest procedures based on comments received during the public hearing process must be included in the final determination.
- (2) Contracts for the services of a subcontractor under this section must be awarded through a competitive process requiring a public solicitation of proposals. Notice of the public solicitation of

- proposals must be provided to the office of minority and women's business enterprises. The public solicitation of proposals must include:
- 4 (a) A description of the project, including programmatic, 5 performance, and technical requirements and specifications when 6 available;
  - (b) The reasons for using the alternative selection process;
- 8 (c) A description of the minimum qualifications required of the 9 firm;
- 10 (d) A description of the process used to evaluate qualifications 11 and proposals, including evaluation factors and the relative weight of 12 factors;
  - (e) <u>Protest procedures;</u>

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- 14 <u>(f)</u> The form of the contract, including any contract for preconstruction services, to be awarded;
  - $((\frac{f}{f}))$  (g) The estimated maximum allowable subcontract cost; and
  - $((\frac{g}{g}))$  (h) The bid instructions to be used by the finalists.
- 18 (3) Evaluation factors for selection of the subcontractor must 19 include, but not be limited to:
  - (a) Ability of the firm's professional personnel;
    - (b) The firm's past performance on similar projects;
  - (c) The firm's ability to meet time and budget requirements;
- 23 (d) The scope of work the firm proposes to perform with its own forces and its ability to perform that work;
  - (e) The firm's plan for outreach to minority and women-owned businesses;
    - (f) The firm's proximity to the project location;
    - (g) The firm's capacity to successfully complete the project;
      - (h) The firm's approach to executing the project;
- 30 (i) The firm's approach to safety on the project;
  - (j) The firm's safety history; and
- 32 (k) If the firm is selected as one of the most qualified finalists,
  33 the firm's fee and cost proposal.
- 34 (4) The general contractor/construction manager shall establish a 35 committee to evaluate the proposals. At least one representative from 36 the public body shall serve on the committee. Final proposals, 37 including sealed bids for the percent fee on the estimated maximum

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allowable subcontract cost, and the fixed amount for the subcontract general conditions work specified in the request for proposal, will be requested from the most qualified firms.

- (5) The general contractor/construction manager must notify all proposers of the most qualified firms that will move to the next phase of the selection process. The process may not proceed to the next phase until two business days after all proposers are notified of the committee's selection decision. At the request of a proposer, the general contractor/construction manager must provide the requesting proposer with a scoring summary of the evaluation factors for its proposal. Proposers filing a protest on the selection of the most qualified finalists must file the protest with the public body in accordance with the published protest procedures. The selection process may not advance to the next phase of selection until two business days after the final protest decision issued by the public body is transmitted to the protestor.
- (6) The general contractor/construction manager and the public body shall select the firm submitting the highest scored final proposal using the evaluation factors and the relative weight of factors identified in the solicitation of proposals. The scoring of the nonprice factors must be made available at the opening of the fee and cost proposals. The general contractor/construction manager shall notify all proposers of the selection decision and make a selection summary of the final proposals, which shall be available to all proposers within two business days of such notification. The general contractor/construction manager may not evaluate or disqualify a proposal based on the terms of a collective bargaining agreement.
- (((5))) (7) If the public body receives a timely written protest from a "most qualified firm," the general contractor/construction manager may not execute a contract for the protested subcontract work until two business days after the final protest decision issued by the public body is transmitted to the protestor. The protestor must submit its protest in accordance with the published protest procedures.
- (8) If the general contractor/construction manager is unable to negotiate a satisfactory maximum allowable subcontract cost with the firm selected deemed by public body and the general contractor/construction manager to be fair, reasonable, and within the available funds, negotiations with that firm must be formally

terminated and the general contractor/construction manager may negotiate with the next highest scored firm until an agreement is reached or the process is terminated.

((6) If the general contractor/construction manager receives a written protest from a bidder, it may not execute a contract for the subject work with anyone other than the protesting bidder, without first providing at least two full business days' written notice to all bidders of the intent to execute a contract for the subcontract bid package. The protesting bidder must submit written notice to the general contractor/construction manager of its protest no later than two full business days following the bid opening.

(7)) (9) With the approval of the public body, the general contractor/construction manager may contract with the selected firm to provide preconstruction services during the design phase that may include life-cycle cost design considerations, value engineering, scheduling, cost estimating, constructability, alternative construction options for cost savings, and sequencing of work; and to act as the mechanical or electrical subcontractor during the construction phase.

(((+8+))) (10) The maximum allowable subcontract cost must be used to establish a total subcontract cost for purposes of a performance and payment bond. Total subcontract cost means the fixed amount for the detailed specified general conditions work, the negotiated maximum allowable subcontract cost, and the percent fee on the negotiated maximum allowable subcontract cost. Maximum allowable subcontract cost means the maximum cost to complete the work specified for the subcontract, including the estimated cost of work to be performed by the subcontractor's own forces, a percentage for risk contingency, negotiated support services, and approved change orders. The maximum allowable subcontract cost must be negotiated between the general contractor/construction manager and the selected firm when the construction documents and specifications are at least ninety percent complete. Final agreement on the maximum allowable subcontract cost is subject to the approval of the public body.

((+9))) (11) If the work of the mechanical contractor or electrical contractor is completed for less than the maximum allowable subcontract cost, any savings not otherwise negotiated as part of an incentive clause becomes part of the risk contingency included in the general contractor/construction manager's maximum allowable construction cost.

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If the work of the mechanical contractor or the electrical contractor is completed for more than the maximum allowable subcontract cost, the additional cost is the responsibility of that subcontractor. An independent audit, paid for by the public body, must be conducted ((upon completion of the contract)) to confirm the proper accrual of costs as outlined in the contract.

 $((\frac{10}{10}))$  (12) A mechanical or electrical contractor selected under this section may perform work with its own forces. In the event it elects to subcontract some of its work, it must select a subcontractor utilizing the procedure outlined in RCW 39.10.380.

- **Sec. 15.** RCW 39.10.390 and 2007 c 494 s 306 are each amended to read as follows:
  - (1) Except as provided in this section, bidding on subcontract work or for the supply of equipment or materials by the general contractor/construction manager or its subsidiaries is prohibited.
  - (2) The general contractor/construction manager, or its subsidiaries, may bid on subcontract work or for the supply of equipment or materials if:
  - (a) The work within the subcontract bid package or equipment or materials is customarily performed or supplied by the general contractor/construction manager;
- (b) The bid opening is managed by the public body and is in compliance with RCW 39.10.380; and
  - (c) Notification of the general contractor/construction manager's intention to bid is included in the public solicitation of bids for the bid package or for the equipment or materials.
  - (3) In no event may the general contractor/construction manager or its subsidiaries ((purchase equipment or materials for assignment to subcontract bid package bidders for installation or warranty)) assign warranty responsibility or the terms of its contract or purchase order with vendors for equipment of material purchases to subcontract bid package bidders or subcontractors who have been awarded a contract. The value of subcontract work performed and equipment and materials supplied by the general contractor/construction manager may not exceed thirty percent of the negotiated maximum allowable construction cost. Negotiated support services performed by the general

1 contractor/construction manager shall not be considered subcontract 2 work for purposes of this subsection.

- **Sec. 16.** RCW 39.10.400 and 2007 c 494 s 307 are each amended to read as follows:
- (1) If determination of subcontractor eligibility prior to seeking bids is in the best interest of the project and critical to the successful completion of a subcontract bid package, the general contractor/construction manager and the public body may determine subcontractor eligibility to bid. The general contractor/construction manager and the public body must:
- (a) Conduct a hearing and provide an opportunity for any interested party to submit written and verbal comments regarding the justification for conducting bidder eligibility, the evaluation criteria, and weights for each criteria and subcriteria;
- (b) Publish a notice of intent to evaluate and determine bidder eligibility in a legal newspaper published in or as near as possible to that part of the county where the public work will be constructed at least fourteen calendar days before conducting a public hearing;
- (c) Ensure the public hearing notice includes the date, time, and location of the hearing, a statement justifying the basis and need for performing eligibility analysis before bid opening, and <a href="https://www.notice.com/notice
- (d) After the public hearing, consider written and verbal comments received and determine if establishing bidder eligibility in advance of seeking bids is in the best interests of the project and critical to the successful completion of a subcontract bid package; and
- (e) Issue a written final determination to all interested parties. All protests of the decision to establish bidder eligibility before issuing a subcontractor bid package must be filed with the superior court within seven calendar days of the final determination. Any modifications to the eligibility criteria and weights shall be based on comments received during the public hearing process and shall be included in the final determination.
- (2) Determinations of bidder eligibility shall be in accordance with the evaluation criteria and weights for each criteria established

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- in the final determination and shall be provided to interested persons
- 2 upon request. Any potential bidder determined not to meet eligibility
- 3 criteria must be afforded ((the)) one opportunity to establish its
- 4 eligibility. Protests concerning bidder eligibility determinations
- 5 shall be in accordance with subsection (1) of this section.
- 6 **Sec. 17.** RCW 39.10.420 and 2012 c 102 s 1 are each amended to read 7 as follows:
  - (1) The following public bodies of the state of Washington are authorized to award job order contracts and use the job order contracting procedure:
    - (a) The department of enterprise services;
- 12 (b) The state universities, regional universities, and The 13 Evergreen State College;
  - (c) Sound transit (central Puget Sound regional transit authority);
- 15 (d) Every city with a population greater than seventy thousand and 16 any public authority chartered by such city under RCW 35.21.730 through 17 35.21.755;
- 18 (e) Every county with a population greater than four hundred fifty thousand;
- 20 (f) Every port district with total revenues greater than fifteen 21 million dollars per year;
- 22 (g) Every public utility district with revenues from energy sales 23 greater than twenty-three million dollars per year;
  - (h) Every school district; and
- 25 (i) The state ferry system.

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- (2)(a) The department of enterprise services may issue job order contract work orders for Washington state parks department projects.
- (b) The department of enterprise services, the University of Washington, and Washington State University may issue job order contract work orders for the state regional universities and The Evergreen State College.
- 32 (3) Public bodies may use a job order contract for public works 33 projects when a determination is made that the use of job order 34 contracts will benefit the public by providing an effective means of 35 reducing the total lead-time and cost for the construction of public 36 works projects for repair and renovation required at public facilities

- 1 through the use of unit price books and work orders by eliminating
- 2 time-consuming, costly aspects of the traditional public works process,
- 3 which require separate contracting actions for each small project.

- **Sec. 18.** RCW 39.10.440 and 2007 c 494 s 403 are each amended to read as follows:
- (1) The maximum total dollar amount that may be awarded under a job order contract is four million dollars per year for a maximum of three years. The maximum total dollar amount that may be awarded under a job order contract for counties with a population of more than one million is six million dollars per year for a maximum of three years.
- (2) Job order contracts may be executed for an initial contract term of not to exceed two years, with the option of extending or renewing the job order contract for one year. All extensions or renewals must be priced as provided in the request for proposals. The extension or renewal must be mutually agreed to by the public body and the job order contractor.
- (3) A public body may have no more than two job order contracts in effect at any one time, with the exception of the department of ((general administration)) enterprise services, which may have four job order contracts in effect at any one time.
- (4) At least ninety percent of work contained in a job order contract must be subcontracted to entities other than the job order contractor. The job order contractor must distribute contracts as equitably as possible among qualified and available subcontractors including minority and woman-owned subcontractors to the extent permitted by law.
- (5) The job order contractor shall publish notification of intent to perform public works projects at the beginning of each contract year in a statewide publication and in a legal newspaper of general circulation in every county in which the public works projects are anticipated.
- (6) Job order contractors shall pay prevailing wages for all work that would otherwise be subject to the requirements of chapter 39.12 RCW. Prevailing wages for all work performed pursuant to each work order must be the rates in effect at the time the individual work order is issued.

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- (7) If, in the initial contract term, the public body, at no fault 1 2 of the job order contractor, fails to issue the minimum amount of work orders stated in the public request for proposals, the public body 3 shall pay the contractor an amount equal to the difference between the 4 5 minimum work order amount and the actual total of the work orders issued multiplied by an appropriate percentage for overhead and profit 6 7 contained in the contract award coefficient for services as specified in the request for proposals. This is the contractor's sole remedy. 8
- 9 (8) All job order contracts awarded under this section must be 10 signed before July 1, 2013; however the job order contract may be 11 extended or renewed as provided for in this section.
- 12 (9) Public bodies may amend job order contracts awarded prior to 13 July 1, 2007, in accordance with this chapter.
- 14 **Sec. 19.** RCW 39.10.490 and 2007 c 494 s 501 are each amended to read as follows:
- The alternative public works contracting procedures authorized under this chapter are limited to public works contracts signed before July 1, ((2013)) 2021. Methods of public works contracting authorized under this chapter shall remain in full force and effect until completion of contracts signed before July 1, ((2013)) 2021.
- 21 **Sec. 20.** RCW 43.131.407 and 2007 c 494 s 506 are each amended to 22 read as follows:
- The alternative  $((\frac{\text{public}}{\text{public}}))$  public works contracting procedures under chapter 39.10 RCW shall be terminated June 30,  $((\frac{2013}{\text{2021}}))$  as provided in RCW 43.131.408.
- 26 **Sec. 21.** RCW 43.131.408 and 2012 c 102 s 4 are each amended to read as follows:
- The following acts or parts of acts, as now existing or hereafter amended, are each repealed, effective June 30, ((2014)) 2022:
- 30 (1) RCW 39.10.200 and 2010 1st sp.s. c 21 s 2, 2007 c 494 s 1, & 1994 c 132 s 1;
- 32 (2) RCW 39.10.210 and <u>2013 c ... s 1 (section 1 of this act)</u>, 2010 33 1st sp.s. c 36 s 6014, 2007 c 494 s 101, & 2005 c 469 s 3;
- 34 (3) RCW 39.10.220 and <u>2013 c ... s 2 (section 2 of this act)</u>, 2007 35 c 494 s 102, & 2005 c 377 s 1;

- 1 (4) RCW 39.10.230 and  $\underline{2013 \text{ c} \dots \text{ s} \text{ 3 (section 3 of this act)}}$  2010
- 2 1st sp.s. c 21 s 3, 2009 c 75 s 1, 2007 c 494 s 103, & 2005 c 377 s 2;
- 3 (5) RCW 39.10.240 and  $\underline{2013}$  c ... s 4 (section 4 of this act) & 2007
- 4 c 494 s 104;
- 5 (6) RCW 39.10.250 and <u>2013 c ... s 5 (section 5 of this act)</u>, 2009
- 6 c 75 s 2, & 2007 c 494 s 105;
- 7 (7) RCW 39.10.260 and <u>2013 c ... s 6 (section 6 of this act) &</u> 2007
- 8 c 494 s 106;
- 9 (8) RCW 39.10.270 and 2013 c ... s 7 (section 7 of this act), 2009
- 10 c 75 s 3, & 2007 c 494 s 107;
- 11 (9) RCW 39.10.280 and <u>2013 c ... s 8 (section 8 of this act) &</u> 2007
- 12 c 494 s 108;
- 13 (10) RCW 39.10.290 and 2007 c 494 s 109;
- 14 (11) RCW 39.10.300 and 2013 c ... s 9 (section 9 of this act), 2009
- 15 c 75 s 4, & 2007 c 494 s 201;
- 16 (12) RCW 39.10.320 and 2013 c ... s 10 (section 10 of this act),
- 17 2007 c 494 s 203, & 1994 c 132 s 7;
- 18 (13) RCW 39.10.330 and <u>2013 c ... s 11 (section 11 of this act)</u>,
- 19 2009 c 75 s 5, & 2007 c 494 s 204;
- 20 (14) RCW 39.10.340 and <u>2013 c ... s 12 (section 12 of this act) &</u>
- 21 2007 c 494 s 301;
- 22 (15) RCW 39.10.350 and 2007 c 494 s 302;
- 23 (16) RCW 39.10.360 and 2009 c 75 s 6 & 2007 c 494 s 303;
- 24 (17) RCW 39.10.370 and 2007 c 494 s 304;
- 25 (18) RCW 39.10.380 and <u>2013 c ... s 13 (section 13 of this act) &</u>
- 26 2007 c 494 s 305;
- 27 (19) RCW 39.10.385 and <u>2013 c ... s 14 (section 14 of this act) &</u>
- 28 2010 c 163 s 1;
- 29 (20) RCW 39.10.390 and 2013 c ... s 15 (section 15 of this act) &
- 30 2007 c 494 s 306;
- 31 (21) RCW 39.10.400 and <u>2013 c ... s 16 (section 16 of this act) &</u>
- 32 2007 c 494 s 307;
- 33 (22) RCW 39.10.410 and 2007 c 494 s 308;
- 34 (23) RCW 39.10.420 and <u>2013 c ... s 17 (section 17 of this act)</u>,
- 35 2012 c 102 s 1, 2009 c 75 s 7, 2007 c 494 s 401, & 2003 c 301 s 1;
- 36 (24) RCW 39.10.430 and 2007 c 494 s 402;
- 37 (25) RCW 39.10.440 and 2013 c ... s 18 (section 18 of this act) &
- 38 2007 c 494 s 403;

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- 1 (26) RCW 39.10.450 and 2012 c 102 s 2 & 2007 c 494 s 404;
- 2 (27) RCW 39.10.460 and 2012 c 102 s 3 & 2007 c 494 s 405;
- 3 (28) RCW 39.10.470 and 2005 c 274 s 275 & 1994 c 132 s 10;
- 4 (29) RCW 39.10.480 and 1994 c 132 s 9;
- 5 (30) RCW 39.10.490 and 2013 c ... s 19 (section 19 of this act),
- 6 2007 c 494 s 501, & 2001 c 328 s 5;
- 7 (31) ((RCW 39.10.500 and 2007 c 494 s 502;
- 8 (32) RCW 39.10.510 and 2007 c 494 s 503;
- 9 <del>(33)</del>)) RCW 39.10.900 and 1994 c 132 s 13;
- 10  $((\frac{34}{34}))$  RCW 39.10.901 and 1994 c 132 s 14;
- 11  $((\frac{35}{35}))$  (33) RCW 39.10.903 and 2007 c 494 s 510;
- 12  $((\frac{36}{)})$  (34) RCW 39.10.904 and 2007 c 494 s 512; and
- 13  $((\frac{37}{37}))$  (35) RCW 39.10.905 and 2007 c 494 s 513.
- 14 <u>NEW SECTION.</u> **Sec. 22.** The following acts or parts of acts are
- 15 each repealed:
- 16 (1) RCW 39.10.500 (Exemptions) and 2007 c 494 s 502; and
- 17 (2) RCW 39.10.510 (Previously advertised projects) and 2007 c 494
- 18 s 503.
- 19 <u>NEW SECTION.</u> **Sec. 23.** A new section is added to chapter 43.131
- 20 RCW to read as follows:
- 21 (1) If the sunset review process in RCW 43.131.010 through
- 22 43.131.150 expires before June 30, 2021, the joint legislative audit
- 23 and review committee must conduct a program and fiscal review of the
- 24 alternative public works contracting procedures authorized in chapter
- 25 39.10 RCW. The review must be completed by June 30, 2021, and findings
- 26 reported to the office of financial management and any affected
- 27 entities. The report must be prepared in the manner set forth in RCW
- 28 44.28.071 and 44.28.075.
- 29 (2) This section expires July 1, 2022.
- 30 <u>NEW SECTION.</u> **Sec. 24.** Section 23 of this act takes effect upon
- 31 the expiration of RCW 43.131.051.
- 32 NEW SECTION. Sec. 25. Sections 1 through 22 of this act are
- 33 necessary for the immediate preservation of the public peace, health,

- 1 or safety, or support of the state government and its existing public
- 2 institutions, and take effect June 30, 2013.

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