

# **Capital Projects Advisory Review Board**

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**Recommendations on SHB 1621**

**December 14, 2023**

## EXECUTIVE SUMMARY

During the 2023 legislative session, Washington Association of Sewer and Water Districts (WASWD) proposed HB 1621 with support from Association of Washington Cities (AWC) and Seattle Public Utilities. The objective of the bill was to establish an efficient method for public works projects, enabling agencies to better address emerging issues similar in nature to replacing specific parts of water, sewer, or stormwater mains.

The 2023 Legislature passed Substitute House Bill 1621 which standardizes a number of issues and limits for multiple public entities, including first and second-class cities and towns, public utility districts, water-sewer districts, and fire districts. The effective date of the bill was delayed to June 30, 2024, to allow the Capital Projects Advisory Review Board (CPARB) to evaluate and make recommendations to the legislature in a report by Dec. 31, 2023.

SHB 1621 implements a consistent threshold of \$75,000 for individual trade projects and \$150,000 threshold for multiple trade endeavors, where work is performed by regularly employed personnel within public utility districts, water/sewer districts, and fire districts. These limits align with the established thresholds in RCW 35.22 and RCW 35.23 for first-class and second-class cities. Additionally, SHB 1621 extends the authority for these cities and districts to conduct work using their personnel and materials up to \$300,000, guided by 'Prudent Utility Management' Procurement method/standard. This standard, which public utility districts have successfully used since 1971 under RCW 54.04, exempts items classified as material within this specified threshold. The definition of 'Prudent Utility Management' materials outlines specific items considered as "equipment," that encompasses conductors, cabling, wires, pipes, or lines utilized for electrical, water, fiber optic, or telecommunications purposes.

Additionally, SHB 1621 broadens the empowerment of public utility districts, first-class cities, water/sewer districts, and fire districts to refuse low bids by means of a responsibility determination. This aligns with the authority currently granted to second-class cities as outlined in RCW 35.23 but does not include all public owners.

The CPARB created the SHB 1621 Review Committee with members of public, private industry and stakeholders to consider the impacts of this bill and identify recommendations if needed.

### **CPARB makes the following recommendations to the Washington State Legislature:**

(issues with consensus)

### **Potential future work for consideration:**

(issues without consensus)

#### **Committee Members:**

[Liz Anderson](#), WA PUD Association  
[Sharon Harvey](#) (OMWBE)  
[Bruce Hyashi](#) (Architects)  
[Keith Michel](#) (General Contractors) - Co-Chair  
[Mark Nakagawara](#) (Cities) - Co-Chair  
[Diane Pottinger](#), North City Water District  
[Irene Reyes](#) (Private Industry)  
[Mark Riker](#) (WA State Building & Construction Trades Council)  
[Michael Transue](#) (Mechanical Contractors Association Western Washington)

#### **Committee Stakeholders:**

Logan Bahr, Tacoma Public Utilities  
Randy Black, Lakewood Water District  
George Caan, WA PUD Association  
Bill Clark, WA PUD Association  
Joren Clowers, Sno-King Water District Coalition  
Linda De Boldt, City of Bellevue  
Brandy DeLange, Association of WA Cities  
Judi Gladstone, WA Association of Sewer and Water Districts  
Scott Middleton, Mechanical Contractors Association Western Washington  
Paul Richart, Alderwood Water & Wastewater District  
Abigail Vizcarra Perez, MetroParks Tacoma  
Rob Wettleson, Forma Construction  
Maggie Yuse, Seattle Public Utilities

## **GENERAL CONCERNS**

Members of the SHB 1621 Review Committee (Committee), and stakeholders collaborated to review the bill, identify discrepancies, and consider possible resolutions regarding the prospective enactment of SHB 1621. Representatives from contractors and construction trades/labor endorse the revocation of SHB 1621.

The Committee identified 3 general concerns for evaluation:

1. Limits for work performed by public employees vs. competitive bidding as applied to cities, water-sewer districts and fire districts.
2. Exceptions to Bid Requirements on projects up to \$300K as applied to cities, water-sewer districts and fire districts:
  - a) Prudent Utility Management definition, expansion, implementation and cost exclusions as applied to cities, water-sewer districts and fire districts.
  - b) Definition of Materials vs. Equipment: Exceptions to bid limits; cost excludes equipment identified as items such as wiring & piping, which otherwise would be identified as materials outside of Prudent Utility Management s applied to cities, water-sewer districts and fire districts.
3. Lowest Responsible Bidder (RCW 57.08.050 (8))

### **Committee Responses:**

1. Cities and water-sewer districts have restated SHB 1621's purpose to address the need for flexibility to perform work with regularly employed personnel in situations when the practice provides an efficient and effective means to address an exigent circumstance.
2. Cities and water-sewer districts expressed that the small works rosters involve time consuming contracting processes and face contractor availability issues that can hinder addressing the exigent needs of a public body.
3. Cities and water-sewer districts have articulated concerns that the emergency public works provisions outlined in RCW 39.04.280 serve only as a competitive bid waiver and do not offer any time advantages or an increase in the public works thresholds for tasks carried out by regularly employed personnel. Lengthy contracting procedures and contractor availability issues are perceived as impediments in addressing urgent needs. These entities, including cities, water-sewer districts, and fire districts, contend that the \$300,000 threshold sets a sensible limit for situations where immediate needs can be addressed by their own regularly employed staff.
4. Contractors and Construction Trades Labor express their opposition to any committee recommendation supporting the bill's continuity, expressing concerns about the broad policy implications and impacts on contractors engaged in smaller public works contracting projects. They highlight that by elevating the thresholds for self-performed work by public entities, the bill effectively decreases the available public bid project opportunities for public contractors, particularly affecting small and disadvantaged businesses.
5. Contractors and Construction Trades Labor advocate for the highly focused and tightly restricted application of the 'Prudent Utility Management' expansion to cities, water-sewer districts, and fire districts.
6. Contractors and Construction Trades Labor recommend that the utilization of 'Prudent Utility Management' by cities, water-sewer districts, and fire districts be reported to the state for oversight and tracking purposes.
7. WSBCTC representatives expressed their opposition towards the augmentation of the thresholds that govern work allowed by regularly employed personnel of public entities. No suggestions for corrections or adjustments were submitted.

**RECOMMENDATIONS:**

**Limits for work performed by public employees vs. competitive bidding:**

**Committee Recommendation:**

[VOTE#1] Committee members recommend the preservation of the bill’s language regarding single trade \$75,000 and multiple trade \$150,000 thresholds for work performed by regularly employed personnel.

*[Current bill language unifies thresholds for work performed by regularly employed public employees. These thresholds are \$75,000 for a single trade and \$150,000 for multiple trades. Any work above these limits will need to be sent out for bid.]*

[AGREE]

VOTE #1			
SHB 1621 Committee Voting		CPARB Voting	
8	Agree		Agree
1	Disagree		Disagree
0	Abstain		Abstain
0	Absent		Absent

**Committee Comment:**

Raising the thresholds for PUDs, water-sewer districts and fire districts to match what exists for first and second-class cities creates uniformity amongst the agencies in the bill and accounts for inflation and price escalation factors since the limits were put in place. *[Some districts will see an increase to match these uniform thresholds but not all.]*

**Exceptions to Bid Limits on projects up to \$300K:**

- a) Prudent Utility Management definition and cost exclusions.
- b) Definition of Materials vs. Equipment: Exceptions to bid limits; cost excludes equipment identified as items such as wiring & piping, which otherwise would be identified as materials outside of Prudent Utility Management.

**Definition of Prudent Utility Management (as defined in the bill):** Work performed with regularly employed [utility] personnel using material of a worth not exceeding \$300,000 in value without a contract. This limit on the value of material being utilized in work being performed by regularly employed personnel shall not include the value of individual items of equipment. For the purposes of this section, the term "equipment" includes but is not limited to conductor, cabling, wire, pipe, or lines used for electrical, water, fiber optic, or telecommunications.

- ‘Prudent Utility Management’ cost exclusion for “equipment”:  
Committee members expressed concerns regarding the applicability for the definition of “equipment” in the context of ‘Prudent Utility Management’ when applied to cities, water-sewer districts and fire districts. The definition states “equipment” consists of “...conductor, cabling, wire, pipe, or lines used for electrical, water, fiber optics, or telecommunications.”
- "The list of “equipment” covers most material that would be utilized in a utility project leaving little to be considered ‘materials’ to be tracked against the \$300K capacity except for labor.

Significant concerns were expressed regarding the uniform applicability of the term, ‘Prudent Utility Management’ for the cities, water-sewer districts and fire districts.

**Committee Recommendation:**

[VOTE#2] Committee members recommend revisiting the appropriateness of the uniform application of ‘Prudent Utility Management’ for cities and towns, water-sewer districts and fire districts.

*[This term has not been applied to cities and towns, water-sewer districts and fire districts before now and may not be applicable in the same manner as for Public Utilities Districts’ use.]* [AGREE]

VOTE #2			
SHB 1621 Committee Voting		CPARB Voting	
6	Agree		Agree
3	Disagree		Disagree
0	Abstain		Abstain
0	Absent		Absent

[VOTE#3] Should ‘Prudent Utility Management’ apply to cities? [NO]

VOTE #3			
SHB 1621 Committee Voting		CPARB Voting	
9	No		No
0	Yes		Yes
0	Abstain		Abstain
0	Absent		Absent

[VOTE#3-B] Should the language proposed by cities (see comment 4 below) be applied in revisions to SHB 1621 for cities? *[The language proposed by cities would replace the current Prudent Utility Management language in the bill.]*

[YES]

VOTE #3-B			
SHB 1621 Committee Voting		CPARB Voting	
3	No		No
4	Yes		Yes
1	Abstain		Abstain
1	Absent		Absent

**Proposed Language by Cities:** “...a first class-city may have its own regularly employed personnel with the requisite experience, capability and qualifications, perform public works activities to address the exigency, efficiency or financial needs of the public body without a contract in the sum not to exceed \$300,000.”

[VOTE#3-C] Should Contractors’ recommendation of changing “or” to “and” within proposed language by cities be incorporated to revisions in SHB 1621 for cities? *[The modified language proposed by cities would replace the current Prudent Utility Management language in the bill.]*

**Proposed Language by Cities - Modified:** “...a first class-city may have its own regularly employed personnel with the requisite experience, capability and qualifications, perform public works activities to address the exigency, efficiency **and** financial needs of the public body without a contract in the sum not to exceed \$300,000.”

[YES]

VOTE #3-C			
SHB 1621 Committee Voting		CPARB Voting	
3	No		No
4	Yes		Yes
1	Abstain		Abstain
1	Absent		Absent

[VOTE#4] Should ‘Prudent Utility Management’ apply to water-sewer districts?

[NO]

VOTE #4			
SHB 1621 Committee Voting		CPARB Voting	
3	Yes		Yes
6	No		No
0	Abstain		Abstain
0	Absent		Absent

[VOTE#4-B] Should the language proposed by cities *(see comment 6 below)* be applied in revisions to SHB 1621 for water-sewer districts? *[The language proposed by cities with appropriate entity identified would replace the current Prudent Utility Management language in the bill.]*

**Proposed Language by Cities:** “...a water-sewer districts may have its own regularly employed personnel with the requisite experience, capability and qualifications, perform public works activities to address the exigency, efficiency or financial needs of the public body without a contract in the sum not to exceed \$300,000.”

[Divided]

VOTE #4-B			
SHB 1621 Committee Voting		CPARB Voting	
4	No		No
4	Yes		Yes
1	Abstain		Abstain
0	Absent		Absent

[VOTE#4-C] Should Contractors’ recommendation of changing “or” to “and” within proposed language by cities be incorporated to revisions in SHB 1621 for water-sewer districts? (see comment 6 below) *[The modified language proposed by cities with appropriate entity identified would replace the current Prudent Utility Management language in the bill.]*

**Proposed Language by Cities - Modified:** “...a water-sewer districts may have its own regularly employed personnel with the requisite experience, capability and qualifications, perform public works activities to address the exigency, efficiency **and** financial needs of the public body without a contract in the sum not to exceed \$300,000.”

[YES]

VOTE #4-C			
SHB 1621 Committee Voting		CPARB Voting	
3	No		No
5	Yes		Yes
1	Abstain		Abstain
0	Absent		Absent

[VOTE#5] Should ‘Prudent Utility Management’ apply to fire districts?

[NO]

VOTE #5			
SHB 1621 Committee Voting		CPARB Voting	
3	Yes		Yes
6	No		No
0	Abstain		Abstain
0	Absent		Absent

[VOTE#5-B] Should the language proposed by cities (see comment 4) be applied in revisions to SHB 1621 for fire districts? *[The language proposed by cities with appropriate entity identified would replace the current Prudent Utility Management language in the bill.]*

**Proposed Language by Cities:** “...a fire district may have its own regularly employed personnel with the requisite experience, capability and qualifications, perform public works activities to address the exigency, efficiency or financial needs of the public body without a contract in the sum not to exceed \$300,000.”

[YES]

VOTE #5-B			
SHB 1621 Committee Voting		CPARB Voting	
3	No		No
4	Yes		Yes
2	Abstain		Abstain
0	Absent		Absent

[VOTE#5-C] Should Contractors’ recommendation of changing “or” to “and” within proposed language by cities be incorporated to revisions in SHB 1621 for fire districts? *[The modified language proposed by cities with appropriate entity identified would replace the current Prudent Utility Management language in the bill.]*

**Proposed Language by Cities - Modified:** “...a fire district may have its own regularly employed personnel with the requisite experience, capability and qualifications, perform public works activities to address the exigency, efficiency **and** financial needs of the public body without a contract in the sum not to exceed \$300,000.”

[YES]

VOTE #5-C			
SHB 1621 Committee Voting		CPARB Voting	
3	No		No
4	Yes		Yes
2	Abstain		Abstain
0	Absent		Absent

**Committee Comments:**

1. The Committee questioned whether the term ‘Prudent Utility Management’ was an appropriate and applicable term for cities, water-sewer districts and fire districts.
2. Contractors believe that ‘Prudent Utility Management’ definition is too subjective as applied to cities, water-sewer districts and fire districts and will lead to abuse.
3. In an effort to provide clarity when the discretionary \$300,000 threshold may be used, cities proposed new language to replace the term, ‘Prudent Utility Management’. The intent of the proposed language is to narrowly describe the circumstances when regularly employed personnel would be allowed to work on projects with values up to \$300,000. Cities believe this proposal provides the requisite clarity identifying eligible public works projects while also protecting contractor interests.
4. **Proposed Language by Cities:** “...a first class-city may have its own regularly employed personnel with the requisite experience, capability and qualifications, perform public works activities to address the exigency, efficiency or financial needs of the public body without a contract in the sum not to exceed \$300,000.”
5. Contractors do not endorse the language suggested by first-class and second-class cities, deeming it excessively flexible and inadequately restrictive.
6. Contractors emphasized that if the suggested language is accepted, the use of "or" should be revised to "and" in order to provide clearer definitions of the situations in which the \$300,000 threshold is employed by cities, water-sewer districts, and fire districts.
7. “...to address the exigency, efficiency **[and]** financial needs...”
8. Water-sewer districts maintain that altering the term ‘Prudent Utility Management’ might be unnecessary. However, they are willing to explore the conditions outlined in the proposed language introduced by the first-class and second-class cities in response to concerns raised by certain committee members.

**Prudent Utility Management cost exclusion for “equipment”:**

Committee members expressed concerns regarding the applicability for the definition of “material” in the context of ‘Prudent Utility Management’ as it applied to cities, water-sewer districts and fire districts. The definition of materials includes “equipment” that consists of “...conductor, cabling, wire, pipe, or lines used for electrical, water, fiber optics, or telecommunications.”

*[This list of “equipment” covers most material that would be utilized in a non-utility project thus leaving little, with the exception of labor, to be considered as ‘materials’ to be tracked against the \$300K threshold.]*

**Committee Recommendation:**

Committee members recommend revisiting the definition of ‘equipment’ in the context of ‘Prudent Utility Management’ as applied to cities, water-sewer districts, fire districts.



[VOTE#6] Should the definition of ‘equipment’ as applied to cities, water-sewer districts, and fire districts be modified through revisions to SHB 1621? [YES]

VOTE #6			
SHB 1621 Committee Voting		CPARB Voting	
0	No		No
9	Yes		Yes
0	Abstain		Abstain
0	Absent		Absent

[VOTE#7] Should 'equipment,' as currently defined, be excluded from the cost of a project concerning the \$300,000 threshold when applied to cities, water-sewer districts, and fire districts? [YES]

VOTE #7			
SHB 1621 Committee Voting		CPARB Voting	
3	No		No
5	Yes		Yes
1	Abstain		Abstain
0	Absent		Absent

**Committee Comments:**

1. The cities highlighted that the definitions of equipment and materials, as utilized in the context of public utility districts (PUDs), may not be wholly applicable or transferable to cities. Cities also proposed to limit **all project costs** to the \$300,000 threshold in lieu of the “equipment” and “material” distinctions defined in the ‘Prudent Utility Management’ definition.
2. Contractors stated that further clarification is needed for the materials and equipment definitions under the direction of ‘Prudent Utility Management’ when applied to cities, water-sewer districts and fire districts.
3. Committee participants deliberated on the advantages of implementing reporting obligations to the state auditor, aimed at tracking the frequency and rationales for public entities exercising the option of self-performing work.

**Lowest Responsible Bidder:**

Members of the committee expressed concerns regarding the provision to allow for the rejection of a low bidder in light of an issue with a bidder’s responsibility or lack thereof. While this language pre-exists for the second-class cities in RCW 35.23.352(2), general public works provisions for bidder responsibility exist in RCW 39.04.350.

**Committee Recommendation:**

The committee recommends revisiting the applicability of adding additional bidder responsibility provisions due to its pre-existence in RCW 39.04.050. *[expands responsibility criteria outside of current criteria in 39.04 and creates confusion for contractors]*

[ReVOTE#8]

Should the new authority granted in [1621...] bidder responsibility provisions be removed? [YES]

VOTE #8			
SHB 1621 Committee Voting		CPARB Voting	
0	No		No
7	Yes		Yes
1	Abstain		Abstain

1	Absent		Absent
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**Committee Comments:**

1. Cities are open to striking bidder responsibility language from SHB 1621.
2. Water-sewer districts and public utilities prefer to have equal access to the authority given to second-class cities but are open to striking bidder responsibility language of SHB 1621.
3. Contractors and construction trade labor supports the rejection of the bidder responsibility language of SHB 1621.

**Referenced RCWs:**

[54.04.070](#) - Specific to Utility Districts

[35.23.352](#) - Specific to 2nd Class

[35.22.620](#) - First Class Cities

[57.08.050](#) - Water Sewer Districts

[52.14.110](#) - Fire Protection Districts

[39.04.010](#) - Responsible Bidder Criteria

[39.04.350](#) - Responsible Bidder Criteria