

Capital Projects Advisory Review Board
Construction Cost Escalation Committee

Meeting Agenda
June 4, 2025
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Location: via Zoom

Meeting ID: 820 1409 7343 **Passcode:** 908671

Committee Members:

(11 members, 6 = Quorum)

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| x Olivia Yang, Owner Higher Education <i>Chair</i> | x Ron Endlich, Owner Transit |
| x Erin Frasier, Labor | x Karen Mooseker, Owner Sch. Districts |
| x Justin Vena, General Contractors (SWR Rep) | x Garrett Buckingham, Owner Public Hospitals |
| x Michael Transue, (assoc. rep sm/div) | x Angela Peterson, Owner Ports |
| x Bruce Hayashi, Architects | x Robert Blain, Owner Counties |
| 2 nd Small Works Roster Representative, TBD | x Theresa Bauccio-Teschlog, Owner Cities |

Other attendees:

- | | |
|------------------------------------|---------------------------------------|
| x Talia Baker, CPARB Staff (DES) | x Axel Swanson, WA Assoc. of Counties |
| x Colleen Newell, MFA (scribe) | x Jon Rose, MRSC |
| x Nancy Deakins, CPARB Staff (DES) | |

Meeting started at 2:02 pm

Discussion Highlights:

Establish Committee Representation

Chair Olivia Yang started the meeting and invited committee members to introduce themselves.

- Olivia Yang, Washington State University, representing Higher Education, member CPARB
- Erin Frasier, Washington State Building Construction Trades Council, representing Labor, member CPARB
- Robert Blain, Benton County, representing Counties, member CPARB
- Michael Transue, representing Mechanical Contractors Association of Western Washington
- Karen Mooseker, Mukilteo School District, representing School Districts
- Angela Peterson, Port of Seattle, representing Ports
- Ron Endlich, Sound Transit, representing Transit
- Justin Vena, Tunista Construction, representing Association of General Contractors and Small Works Roster
- Theresa Bauccio-Teschlog, City of Everett, representing Cities
- Garrett Buckingham, Evergreen Health, representing Public Hospital Districts
- Axel Swanson, Association of County Engineers, Association of Counties.
- Jon Rose, Municipal Research and Services Center (MRSC)
- Nancy Deakins, Department of Enterprise Services

Review Purpose, Determine Meeting Frequency and Cadence, Identify Outcomes

Chair Yang explained that when the RCW was created, there was discussion around where to set the ceiling for small works projects (SWP). The decision was deferred to get the RCW out, but now it is time to reopen the conversation and make recommendations to the legislature about what that Small Works Roster (SWR) ceiling should be.

Chair Yang said that the outcome is likely a report to the legislature which may change the ceiling of the SWR, which is currently set at \$350,000. She acknowledged that there is also a provision for direct contract at \$150,000.

Chair Yang suggested that the committee discuss when the \$350,000 ceiling was established and calculate what an equivalent amount would be now, considering escalation. From that understanding, the committee can examine how the new ceiling might be beneficial or harmful.

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This committee is to complete their report by September 11, 2025, when CPARB meets again. This means the committee needs to finish their work by the end of August. There was a recommendation the committee meet twice per month, at least in June and July, and reevaluate cadence in late July or early August if necessary.

[2SSB 5268](#) details how the committee is expected to complete this analysis and report. If the committee stays within that Section 16 box, it should be able to finish this work within the 3-month timeframe.

The report doesn't need to be overly formal, as its only recommendations to the legislature are on any adjustments to the contracting thresholds, Section 15 of 5268. There are two thresholds in that section, the \$350,000 ceiling, and there's also a \$150,000 limit that should also be on the table for this committee's work.

The \$5,000 no-performance bonds and retainage material in that section should also be on the table.

The committee agreed to meet every other Wednesday from 3:00-4:30 p.m.

Erin Frasier noted that she will have a few conflicts.

Chair Yang advised that when committee members have conflicts, they send a proxy.

Talia Baker confirmed that informed proxies, those who know the subject matter of the committee, can count toward a quorum and therefore can vote.

Discuss Cost Escalation, Construction Cost Indices, and SWR Threshold History

Michael Transue and Jon Rose spoke about the cost escalation data.

When the study was put together, the state economist recommended that the construction cost index (CCI), which is for the Seattle area, be the reference for the study. It can be re-adjudicated if the committee desires to reference a different index, but the CCI is the first data point the committee will look at.

The Federal Government Treasury Department estimates construction costs, which some consider to be more accurate data. The committee can compare and contrast these data with the CCI to see which data source is preferred.

Jon asked if the Federal Government Treasury Department source has a regional level of detail.

Michael agreed to find out if there is a regional level of detail to the Federal Government Treasury Department construction cost estimation.

Chair Yang confirmed there may be more than one index to compare to create a baseline, the committee can create a table that displays the construction cost escalations each year, according to each index, starting from the year that the \$350,000 SWR ceiling was established. She inquired if anyone was aware of when the \$350,000 threshold was established.

Jon Rose shared, before 2019, certain agency types had authority up to \$350,000. But port and irrigation districts, for example, were at \$300,000, so there wasn't a universal setting of \$350,000 until 2019. The committee would need to look at individual agency types to see when some of them historically received authority up to \$350,000. It may also be wise to look back to 2009 to capture the time when the ceiling was formally set from \$250,000 to \$300,000.

Angela Peterson suggested that the committee just go with the RCW 39 04 date, which Chair Yang confirmed was 2019. \$350,000 from 2019 would be about \$500,000 today. The CCI change per year varies. The lower years are in the 2% range, but 2021 took a giant leap forward, so the average is around 6%.

Jon shared an Excel file demonstrating the increases of the CCI year-over-year from 2019 to 2024. The final value in 2024 was \$498,561.

Michael agreed to create a similar calculation to what Jon had done using Federal Government Treasury Department construction cost estimations.

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Chair Yang shared that the purpose of the SWR, historically, was to simplify the administrative process of picking a contractor so that the cost of picking a contractor was less than the contract itself. She said that some also consider the SWR to be an incubator for small businesses.

Chair Yang suggests the committee explore the consequences on the industry if the ceiling were set to SWR \$500,000. What would that do to the cost of Master Construction Agreement, labor, contractors in general?

Michael pointed out the idea of a tiered approach to cost ceilings makes sense. \$500,000 may not make sense as a SWR for an agency with a budget of \$6 million. He also inquired on how much the Statewide SWR is being utilized.

Erin Frasier made the point that if owners are not able to get enough contractors on their roster or enough bids in other processes, then the Washington State Building Construction Trades Council (WSBCTC) gets pushback that the work should be done in house, which completely eliminates the competitive process for the workforce. She is concerned that raising the ceiling may reduce the competitiveness on bid submissions. She noted that there are many small public owners that are unable to find bids for their projects, which has pushed towards legislation and policy proposals that would eliminate public bidding.

Michael clarified that the Statewide SWR was initially put together to help support smaller agencies and smaller contractors, not the large agencies who have a substantial pool of contractors to work with.

Angela asked how utilization of the Statewide SWR is measured.

Jon said metrics such as volume of businesses and rosters, the increase over time, the utilization rate for different demographics, and many more can be used to determine the utilization of the Statewide SWR.

Theresa Bauccio-Teschlog suggested that the committee look at how much the “direct negotiate” feature is being used across the board, because she hears other cities similar in size to Everett (a medium-sized city) don’t have a process and are not using it because the auto-rotate process is very cumbersome when compared to soliciting to the whole roster. She also noted her project managers have had to pull from multiple lists and solicited from multiple contractor pools when they were not getting bids for their projects. With this change in the legislation on the SWR, the agency is locked into one list, and as a consequence they have been receiving more bids. While it’s hard to compare the two circumstances because the overall economic picture is different, the City of Everett has seen a positive change.

The City of Everett has a lot of contracts between \$350,000 and \$500,000 which, because of existing statutes, are run as Job Order Contracting (JOC), so those projects are already being captured but just not through direct bid.

Jon explained that there are multiple factors as to why an agency may be getting more bids. One is that MRSC conducts substantial outreach to contractors. Also, the fact that the bids are centralized to one source helps the smaller businesses. Another factor that influences the number of bids received is how much outreach an agency may conduct before posting their bid. Geographic features will influence bid response volume.

The Statewide SWR has seen growth in business and in the number of bid responses, but that can be different from agency to agency. The Statewide SWR has seen about 20% growth in the number of agencies and businesses joining the roster over the last year.

Erin warned that the committee needs to be aware of the impacts that raising the threshold may have on other legislation that is being proposed or written or that is already in place. She will research where those impacts may occur in the work she is doing. As an example, she said that the Washington State Building Construction Trades Council is working on legislation to prevent workers’ wages from being frozen on public works projects. When writing legislation like this, the authors seek to utilize existing thresholds (such as the SWR statute), not to create new thresholds in law. The committee needs to look at how other statutes that reference this SWR statute will be affected by a ceiling change.

Justin Vena said that contractors generally perceive the SWR as filler work, because the projects are very small. Contractors prefer to perform bigger projects that support organizational growth (relative to the size of

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the company). He said that consolidating all public bids in one place, like the Statewide SWR does, is a really good idea. It increases the contractor's responsiveness when they don't have to hunt and peck around on different sources for bids.

Robert shared that his county does not use the \$150,000 threshold for their projects. They generally broadcast their projects to their whole roster. He has concerns about creating additional requirements on any type of roster that would preclude smaller contractors from participating. He too would like to see the SWR ceiling raised from \$350,000, above \$500,000, perhaps even to \$1 million, as others have mentioned before. The SWR is designed to help agencies become more nimble, so a higher threshold would allow them to be more flexible with a greater number of projects. Robert also noted there are a lot of requirements to get on the \$150,000 list that might prevent smaller contractors from taking that step.

Axel Swanson asked if agencies adopt their own bidding thresholds, even if the SWR RCW is the standard?

Jon confirmed that when owners sign up on the Statewide SWR, they set their own maximum bidding threshold, which can be up to the \$350,000 ceiling or below it.

Axel requested that Jon take 15 minutes at the next meeting to give an overview of how the SWR exists currently in statute and discuss what is working well and what are the challenges.

Michael shared that the committee who put RCW 39.04.152 in place was tasked with establishing one common threshold for small works, because at the time the small works process was different at each agency, making it very complicated.

Garett Buckingham noted that the committee who designed RCW 39.04.152 also recognized that the threshold would need to be changed in the future because of escalation and inflation.

Bruce Hayashi reminded the committee it will be important to look for unintended consequences of any statute changes, like increasing the SWR threshold, and what the negative impacts of that change may be.

Summary of Action Items and Final Thoughts

Chair Yang recapped the action items for the meeting [listed below in section "Action items for next meeting:"].

Erin requested that the final report to the legislature includes an acknowledgement of the status of the Statewide SWR.

Chair Yang stated that the committee's assignment is to look at escalation. She asked the committee members to consult with their respective stakeholders to understand what they think the consequences would be if the \$350,000 threshold was increased. She also suggested that the committee does not look into the \$150,000 direct contracting threshold through the course of its work, because that threshold is only one year old.

The committee agreed to discuss whether or not to focus on the \$150,000 direct contracting threshold during the next meeting.

Angela suggested it may be relevant to discuss the \$5,000 threshold in the RCW, and that a representative from Labor and Industries should be included in the committee if that threshold is part of the committee assignment.

Jon shared Risa Pearson is the person to reach out to from Labor and Industries. He will forward Risa's contact information to Chair Yang.

Talia asked Chair Yang if she has staff to support with scheduling the future meetings and to take notes.

Chair Yang confirmed her desire to have CPARB staff continue scheduling meetings and notetaking for these meetings.

Next Meeting Agenda, 6/18/2025:

1. Michael will report on the Federal Treasure Department's construction cost index
2. Jon will report on Statewide SWR utilization

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3. Erin will report on potential impacts from SWR cost threshold increase
4. Jon will give a summary of the \$150,000 direct contracting threshold so the committee can decide whether or not to recommend it in the final report
5. The committee will discuss what to recommend for escalating the \$350,000 threshold and if they should make recommendations on the \$150,000 threshold.

Michael Transue moved to adjourn the meeting. Angela Peterson seconded the motion.

Meeting adjourned at 3:16 p.m.

Purpose/Mission:

Per RCW [39.04.154](#) review construction cost escalation data and make recommendations to CPARB to make recommendations to the appropriate legislative committees on adjustments to the contracting thresholds for small works rosters per RCW [39.04.152](#).

Summer Schedule:

Alternate Wednesdays 3 - 4:30 pm

6/18; 7/2; 7/16; 7/30; 8/13; 8/27; 9/10

Action items for next meeting:

- 1) Michael will look at the Federal Treasury Department's construction cost index to see what escalation has been since 2019 according to that data. He will also determine if there is a regional level of detail in that index.
- 2) Jon will look at what the utilization of the Statewide SWR is based on its two purposes of 1) increasing efficiency of contracting for agencies and 2) supporting small contractors.
- 3) Jon will deliver a brief overview of the Statewide Small Works Roster and how it all works. This will include a short discussion of the direct contracting \$150,000 threshold.
- 4) Erin will look into what other bills that are being proposed or written, within her purview, would be impacted by a change to the SWR threshold.
- 5) Michael and Justin will reach out to their networks to find another SWR user to be a part of the committee.
- 6) Jon will send Risa Pearson's contact information to Chair Yang. ✓
- 7) Chair Yang will reach out to Risa Pearson from Labor & Industries.
- 8) Nancy Deakins will circulate her process for \$150,000 direct contracting to the committee.

Resources:

1. RCW [39.04.154](#)
2. RCW [39.04.152](#)
3. [2SSB 5268](#) 30 NEW SECTION. Sec. 16. Beginning in 2025 and every five years 31 thereafter, the capital projects advisory review board must review 32 construction cost escalation data for Washington state, readily 33 available in industry publications, roster utilization, and other 34 appropriate data and metrics, and make recommendations to the 35 appropriate committees of the legislature on adjustments to the 36 contracting thresholds described in section 15 of this act.
4. Committee Homepage: <https://des.wa.gov/about/committees-groups/capital-projects-advisory-review-board-cparb/construction-cost-escalation-committee>
5. US & WA Construction Trends and Outlook by Ken Simonson: <https://des.wa.gov/sites/default/files/2025-05/2025-05-08-5-CPARB-US-WA-ConstructionTrendsOutlookKenSimonson.pdf>