

Capital Projects Advisory Review Board  
**Construction Cost Escalation Committee**

Meeting Notes

July 2, 2025

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**Location:** via Zoom

**Meeting ID:** 851 2540 4806 **Passcode:** 933045

**Committee Members:**

*(11 members, 6 = Quorum)*

- |  |   |
|--|---|
| x Olivia Yang, Owner Higher Education <i>Chair</i> | x Karen Mooseker, Owner Sch. Districts/ Shelly Henderson ( <i>proxy</i> ) |
| x Theresa Bauccio-Teschlog, Owner Cities           | x Angela Peterson, Owner Ports  |
| x Robert Blain, Owner Counties                     | x Michael Transue, MCA  |
| x Garrett Buckingham, Owner Public Hospitals       | x Justin Vena, General Contractors (SWR)                                  |
| x Ron Endlich, Owner Transit                       | <i>Vacant, Small Works Roster Representative</i>                          |
| x Erin Frasier, Labor                              | <i>Vacant, Association of small/diverse businesses</i>                    |
| x Bruce Hayashi, Architects                        |   |

**Other attendees:**

- |                                       |   |
|---------------------------------------|---|
| X Talia Baker, CPARB Staff (DES)      | X Brent Ludeman, Nat. Electrical Contractors Assoc. |
| X Steven Ellis, AWC                   | X Brianna Morin, Assn. of WA Cities (AWC)           |
| X Chris Herman, WA Public Ports Assn. | X Jon Rose, MRSC                                    |
| X Sam Humphreys, MFA                  | X Brian Ross, Western WA University                 |

**Discussion Highlights:**

**Meeting started at 3:02 pm**

Chair Olivia Yang requested that the meeting end by 4:00 pm and all committee members agreed.

**Discussion of when agencies first adopted a \$250,000 threshold**

Jon Rose shared a slide that demonstrated how, before 2009, various different agency types in the state had different small works roster (SWR) thresholds, and these thresholds were governed by various mechanisms – some by Revised Codes of Washington (RCW), some simply by their own internal policies. In 2009, the legislature decided to consolidate some these agency types so that they were subject to the same threshold of \$300,000, according to Senate Bill 5418.

Then, in 2019, the legislature moved to include the remaining agency types and raised the threshold limit to \$350,000.

**Discussion of threshold exceeding \$500,000**

Michael Transue said he reached out to the Washington Construction Industry Council (*WCIC; a group of utilities, associations, and other organizations who come together to discuss construction issues*) with the committee's questions. He asked them the following:

1. How they felt about the different cost index options.
2. How they felt about the SWR threshold being increased to just under \$500,000, as the Mortenson Construction Cost Index (CCI) and Producer Price Index (PPI) indicate they should.
3. What sideboards they would like to see if the SWR threshold was increased to \$1 million.

He said that the membership of WCIC gave the following input in response to Michael's questions:

- There needs to be a requirement for reporting back so that contractors can see how the SWR threshold is performing.
- Having the "governing body," whatever that governing body is, bless the increase.
- The membership asked if it may be more appropriate to raise the threshold for only certain contractors as a pilot, to work the kinks out.
- Whatever governing body approved the increase would need to keep track of what organizations are using it.
- The membership suggested tiering the threshold, based on the size of an agency's capital budget. They expressed discomfort with a \$1 million threshold for an agency with a \$1 million budget.
- The statewide SWR that is hosted by MRSC must work properly as a one stop shop.

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These are the sideboards that the WCIC membership would want to see, assuming that the reasons for increasing the SWR threshold to a high limit like \$1 million are justified. Michael said that, because the SWR direct contracting \$150,000 threshold hasn't been used much yet, it is hard to make policy decisions about whether it should be increased.

Erin Frasier agreed with the points Michael shared. She also added that, regarding impacts on labor:

- When contractors are limited in their ability to engage in contracting arrangements, that limits work for skilled workers.
- When agencies don't receive enough contractor bids for work, they look at performing in-house work, which eliminates work for the workforce she represents.
- If the threshold were higher, her constituents would like policy around apprentice utilization attached to it. That is their primary workforce development tool, and it is funded by private industry.
- They are concerned that if the person performing the estimation of bids estimates lower than what is reasonable, that can skirt around apprentice utilization requirements.

Brent Ludeman said his constituents largely agree with the comments that Michael and Erin shared.

### ***Public owners explain why a higher limit would be beneficial***

Theresa Bauccio-Teschlog said she will send her summary email to Talia Baker after the meeting.

She reached out to a number of cities and heard back from Seattle, Yakima, Pasco, Olympia, and Everett. The population of these cities ranges from 56,000 to 767,000. Only one city suggested that the limit not be raised.

The threshold increase requests were from \$500,000 to \$1.5 million. The reasons these cities shared for increasing the threshold were:

- Inflation has increased costs significantly since the \$350,000 limit was set, especially costs of labor, materials, overhead, fuel, insurance, and prices.
- Mobilization costs turn many contractors away from \$350,000 limits.
- Construction costs. The Mortenson Construction Cost Index was referenced as having risen 49%, so a 50% increase would restore the threshold to the status quo.
- A baseline minimum increase is required to match inflation, but there is a need to increase to a more reasonable limit for cost efficiency of SWR vs whole bid documents.
- Inflation is real and things are getting more expensive which frees up a lot of time on paperwork and internal constraints. This is ever more important as cities are trying to do more with less.
- Increasing the SWR threshold reduces administrative and staff time significantly, as preparing bids can cost tens of thousands of dollars in resources.
- A higher limit would streamline delivery, improve efficiency, and allow agencies to respond more quickly to project needs without compromising quality.

Robert Blain and Shelly Henderson seconded the comments made by Theresa.

Shelly said that the time savings the SWR allows, compared to a formal bid, is helpful for schools, because it allows them to do projects more efficiently during the summer when students are out of the building.

Garrett Buckingham said \$350,000 doesn't accomplish much in hospital environments anymore, and many hospitals have stopped using SWR as a consequence. Most small projects are between \$400,000 and \$500,000 for hospitals. They mostly avoid using the SWR unless it's essentially a maintenance contract.

Ron Endlich seconded the reasons previously made by other owners.

Brian Ross said that when an agency is performing a lot of projects, the SWR process saves them a lot of staff time. Also, the SWR reduces their need to advertise in newspapers, which can pose a challenge to some contractors. He said a threshold that matches inflation would increase their flexibility.

Chair Yang added the higher the threshold raises beyond \$350,000, the more it raises the need for guardrails or piloting.

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Chair Yang asked if the committee would be amenable to exploring what a reasonable SWR threshold would be if the committee projected beyond what inflation brings it up to today, looking at what the threshold should be five years from now, when the committee will next evaluate the SWR threshold. That is something for the committee to consider.

### ***Discussion of SWR funding***

Chair Yang asked Jon to discuss the SWR funding situation, as the funding from the state has been cut, and to discuss the possibility of the SWR charging a fee to contractors.

Jon said that it is currently free for contractors to join the SWR.

Chair Yang clarified how the SWR functions. She said that a contractor will sign up, registering the types of work they can perform. Then an agency, when it has a bid, will search for contractors on the SWR who can perform the type of work they are bidding for, and they send the bid directly to the contractor. She asked why, then, there is a perception that contractors must pay to bid on projects.

Jon said she is correct that it is free to join, and there is no charge for contractors. However, there are separate for-profit entities (sometimes called plan centers) that are not affiliated with MRSC, that will post bids on their site and charge contractors to access and/or bid on those posted jobs. Also, there are no jobs posted on the SWR. It is a matching of businesses that say they provide services with agencies that are looking for services. Agencies use the SWR to find contractors that they can send bids to directly. Plan centers, which are private companies, will charge contractors for bids.

Chair Yang asked if it is possible that the agencies and contractors will have to pay for the SWR service going forward, because MRSC had their funding cut in the regular session. She acknowledged that there may be some effort in the supplemental budget to restore some or all of the funding.

John said MRSC is in a tough bind. They have staff and developers who have salaries. Since they found out they lost funding, he is trying to engage groups, like CPARB and DES, to figure out the solution to getting additional funding. They won't be able to find the solution for a full year, and they need to think about what they will do in the future.

Justin Vena asked if MRSC has looked at a revenue-based tiered cost system. The smaller the contractor's annual revenue, the less they would need to pay.

Jon said that is one solution MRSC is considering. MRSC is discussing with DES if a sponsorship model would be possible. In particular, MRSC is investigating how they can find a path forward for certified businesses. A tiered system is one of the premier ideas for charging contractors. But any discussion of charging contractors receives pushback because the SWR was originally created with the intent of propping up small contractors and not charging them.

Michael said, from a political perspective, it is worth reinforcing that the SWR is a good idea because it supports small-, veteran-, and women-owned businesses. The funding just needs to be worked out, and all parties (owners, contractors, labor, etc.) need to be on the same page for this. The committee needs to remind the legislature that this is a good policy idea.

Jon said an added challenge is that the Office of Financial Management has advised state agencies not to ask for help with any funding.

Public owners pay a nominal fee to use the roster, starting at about \$135 per year. If the SWR were unsubsidized, that fee would have to go up. The current conversation about funding centers around how much funding will need to come from contractors and how much will need to come from owners. MRSC does not want to charge contractors, because the SWR was developed to support small contractors.

Brian said the online service is very powerful, and the plan center fee situation is rectified if an agency posts all their bids electronically to Bonfire and SWR. However, about 35 vendors have bid on their SWR projects. He does not think vendors would react negatively if there was a \$500-1000 fee. He said that the fee could be more

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acceptable to contractors if the SWR threshold were raised, because it would mean contractors would not just be bidding on small contractors, but more substantial ones, depending on the threshold. He said the SWR needs users paying and it needs legislative support because this is being used to improve public infrastructure.

Chair Yang said the focus of the group is not the funding of the MRSC, but it is important context. She asked contractor representatives on the committee if it would be reasonable to look into what the threshold should be beyond what the indices say it ought to be currently, based on escalation.

Michael said it is contextual; it depends what the threshold number is. He said the committee can certainly have that discussion; it is fair to talk about what the cost will be in five years. He also said that the CPI is without a doubt the index that his group is most comfortable with. The PPI uses enormous material cost inflation values. He said that an index data set can't use anomalous numbers, like the 26% inflation value that was included in the CPI during COVID-19.

Theresa asked for Jon's perspective on the CCI, because when she talks to cities, that seems to be the index they are most comfortable with.

Jon said that recently he asked the state economist what index most accurately represents the construction cost escalation, and she said CCI.

Theresa asked Michael about his thoughts on the CCI, because it seems that agencies are more comfortable with CCI, whereas the contractors are more comfortable with CPI.

Michael said that the CCI and PPI had more similar escalation values than CPI did. However, his constituents are more comfortable with CPI because they think the Treasury Department does a good job in their calculations, and because it is a lower escalator. He said that, especially when it comes to estimating the threshold for five years down the road, the index used will have a significant impact on what that threshold ought to be.

Chair Yang said that there are two big conversations going on currently: one about the guardrails that should be used on the higher cost increases, and one about deciding on which index is used. She also acknowledged that the committee understands the challenge about in-house versus contracting labor and how that affects contractors. But because not all agencies are in frequent conversation about these issues, she cannot guarantee that there won't be an agency who wants a much higher threshold for performing in-house work.

Bruce Hayashi said the committee needs to consider public perception in addition to indices. The public may be irate if the SWR threshold is increased from \$350,000 to \$1 million, even if that's what the indices indicate. The public may feel the agencies are throwing public money out the window. The committee needs to consider what is realistic, what is good policy, and not look just at indices to drive decision making on what is the best threshold.

### ***Next Meeting***

Chair Yang suggested that the Public Owners Group meet one week earlier than their typical meeting so that they can caucus to determine what SWR threshold increase they think is reasonable, considering cost escalation indices and the politics of that decision. They can also discuss what potential guardrails should look like.

The committee agreed.

Chair Yang adjourned the meeting.

***Meeting adjourned at 3:50 p.m.***

### ***Next Meeting Agenda – 3:00 p.m. on 7/16/2025***

- The Public Owners Group will caucus to determine what threshold they think is reasonable, based on escalation indices and the politics of that decision, before the next meeting.

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### **Action items for next meeting**

1. Theresa Bauccio-Teschlog will send the email she drafted, illustrating various cities' comments on SWR threshold increase, to Talia Baker.
2. Chair Olivia Yang will ask Lorrie if the Public Owners Group can meet one week earlier than normal so they can caucus before the 7/16 meeting.

### **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>

### **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](#).

**From:** [Theresa Bauccio](#)  
**To:** [Baker, Talia \(DES\)](#)  
**Subject:** SWR Limit Survey & Reasons - Cities  
**Date:** Wednesday, July 2, 2025 3:22:24 PM  
**Attachments:** [image001.png](#)

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External Email

Category 2: Sensitive information

I gathered input from various stakeholders on whether the limit should be raised, what limit should be raised, and their reasons for requesting the increase.

**Limit**

\$500K

\$700K

\$1.5 M, which is around where the full bid process becomes minimally cost-effective.

**Reasons**

- Inflation has increased costs significantly since this limit was set, specifically, inflation of material, labor, and overhead (fuel, insurance, etc.) prices
- Mobilization costs turn many contractors away under the 350K limits.
- Construction Costs (Mortensen Construction Cost Index) have risen by 49%. Therefore, a 50% increase would be a bare minimum to restore the limit closer to the status quo.
- The historic return to the inflationary environment is a baseline minimum increase, plus there is a need to increase to a more reasonable number for cost efficiency versus full bid documents.
- Inflation is real, and things are getting more expensive, which frees up a lot more administrative time on paperwork and internal constraints. This is ever more important as cities are trying to do more with less.
- With the rising cost of design services, labor, materials, and the impacts of inflation since the \$350,000 bid limit was last set, raising the limit is a practical step. It would
- Reduce administrative and staff time significantly, preparing and managing a formal bid process can cost tens of thousands of dollars in staff resources alone. Allowing more projects to be handled through the Small Public Works process would streamline delivery, improve efficiency, and allow agencies to respond more quickly to project needs without compromising quality.

Responses from the following Cities:

Everett– Population 112,000

Olympia – Population 56,000

Pasco – Population 80,000

Seattle– Population 767,000

Yakima- Okay with 350K. – Population 97,000

**Theresa Bauccio-Teschlog, MBA, NIGP-CPP, CPPB  
(She/Her/Hers)**

Procurement Manager | Procurement

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