



**STATE OF WASHINGTON  
Capital Projects Advisory Review Board**

# *Local Government Public Works Contracting Study– CPARB Update*

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May 28, 2020

# Agenda



INTRODUCTION TO  
STUDY



DATA REVIEW



RAISING THRESHOLD  
DISCUSSION

# Participation Ask

- **Need:** Committee to discuss important themes from the survey
- **Time commitment:** Five two-hour meetings over the period from May 2020 to September 2020



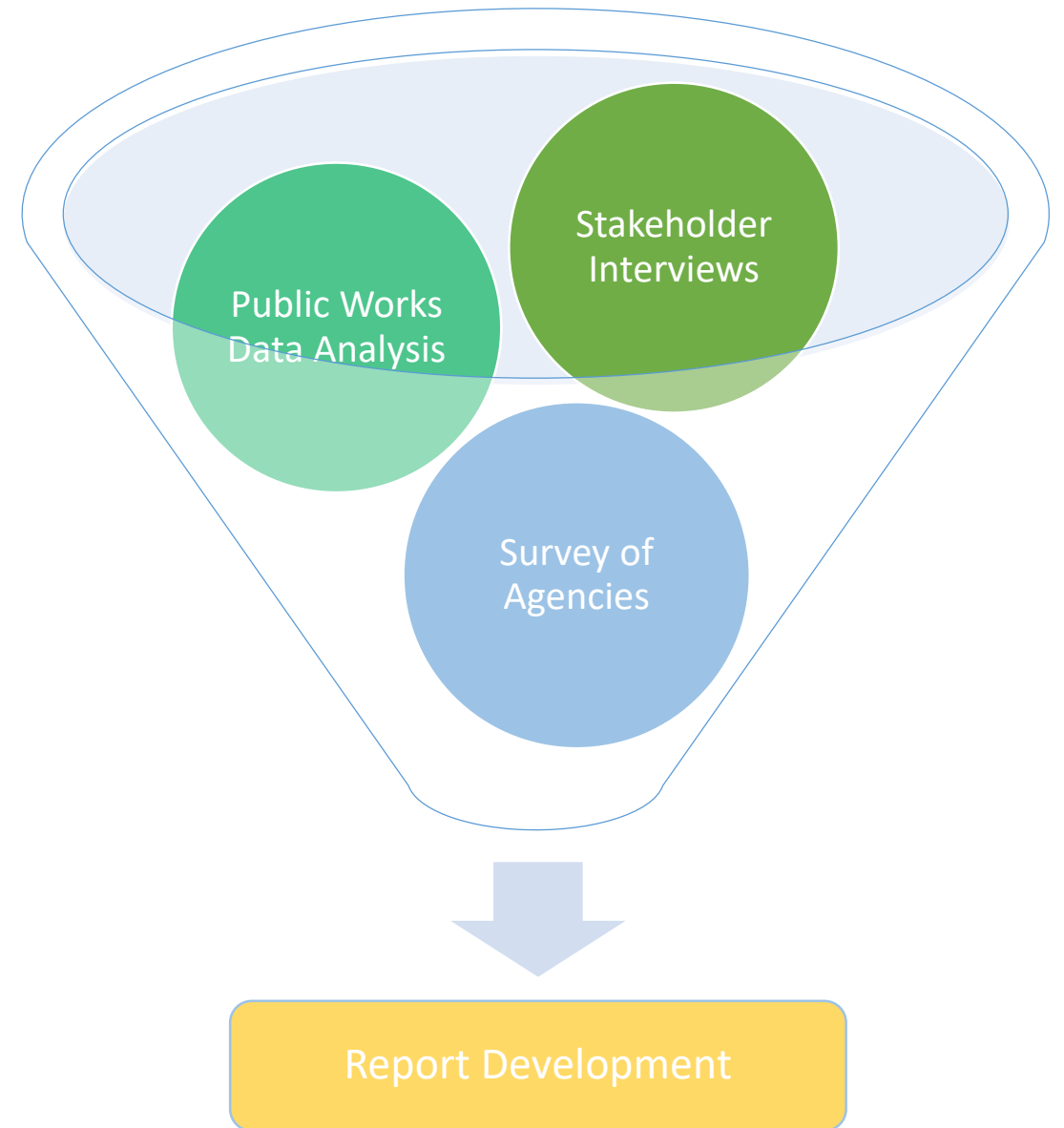
# *Outline of Public Works Contracting study*

*Purpose: Comprehensive review of local government bid limits with the intent to develop considerations and guidance for an appropriate standardized method of adjustment to contract thresholds*

- **A** - Identification of Most Common Local Government Contracting Procedures
- **B** - Development of an Bid Threshold Matrix of Public Works Contracting Bid Thresholds
- **C** - Analysis of Estimated Project Cost Comparison to Contracting Thresholds
- **D** - Analysis of Potential Application of Regional Inflation Index to Contracting Thresholds
- **F** - Rates of Participation in Small Works and Limited Public Works Contracting
- **E,G** - Recommendations for Public Works Contracting and Procurement, including Identification of Barriers to Participation in Small Works Roster and Limited Public Works Contracting Processes
- **CPARB Coordination and Final Report**

# Process

- Initial Stakeholder Interviews
  - 34 of 30 completed
  - Representing over 30 agencies and businesses
- Survey of Agencies and Public Works Contractors
  - Draft of survey questions
  - Working with DES on final questions
- Public Works Data Analysis
  - L&I Data on 180,000 public works contracts from FY 2013-19
  - Economic Data on construction costs and wages



## Topics that are out of scope

State agencies,  
colleges,  
universities

Specific to public  
works and not  
purchasing

# Analysis Caveats



We've heard from 225 Agencies out of 2,269 agencies that we did not categorize as out of scope



Does not mean this represents all opinions



We will be discussing what interpretations we believe the data represents

# Raising Thresholds

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# Public Works Processes

**Full Bid** - For amounts above an agency's small works threshold (generally \$350,000, but \$300,00 for some agencies), local government must use the formal competitive bidding process.

**Small Works Roster** - For contracts between the lower threshold and the uppermost threshold (generally between \$75,000 and \$350,000), most statutes allow the local government to use a small works roster.

**Below competitive threshold** - Defined as the amount below which the local government may use any internally acceptable method of awarding small public works contracts.

**Alternative Contracting** - Unit Price, Job Order, Design Build, GCCM

# Defining Thresholds

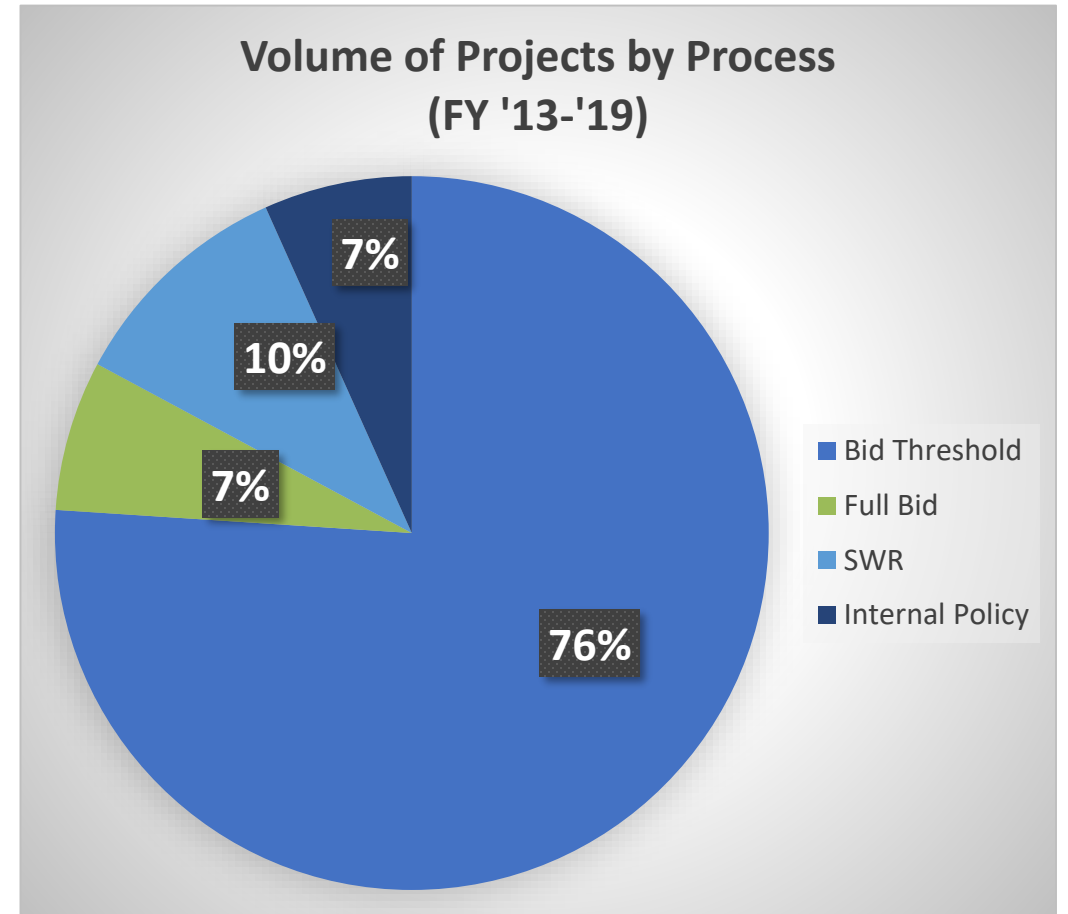
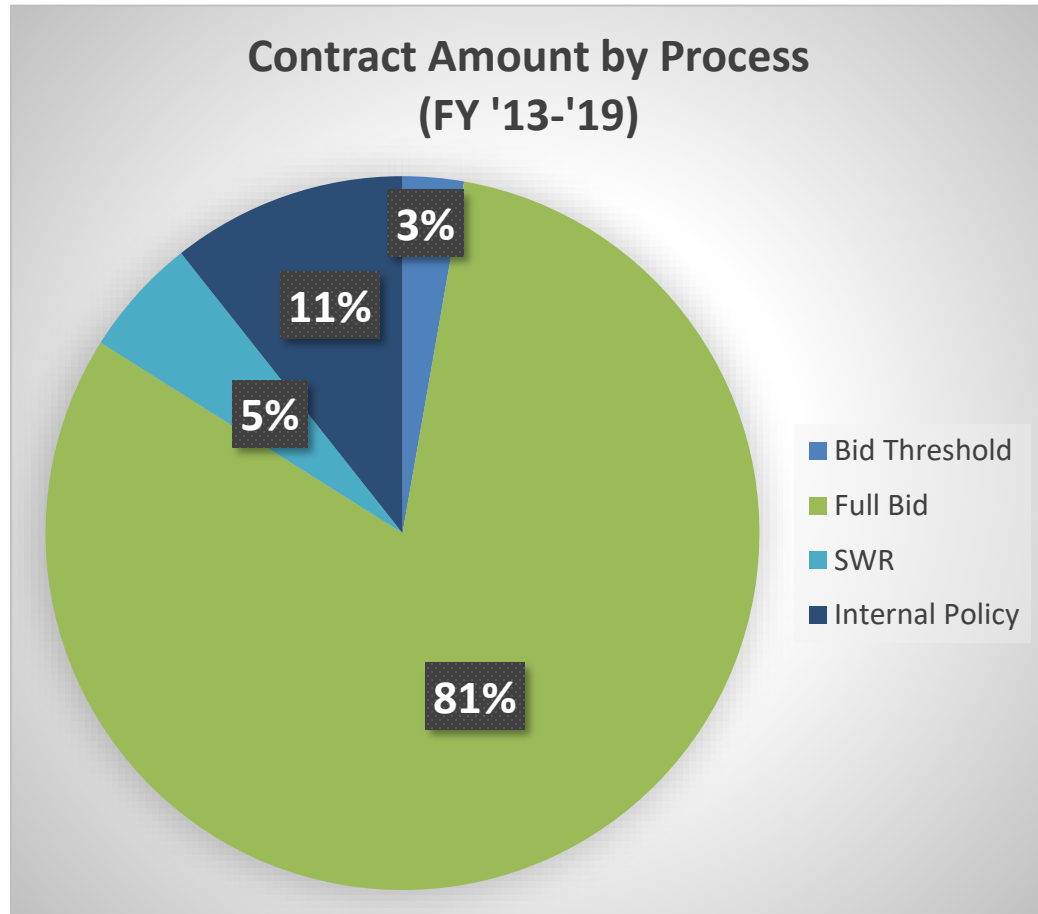
- Two primary public works thresholds
  - Bid Threshold
  - SWR
- Take a variety of forms across agency types

Government Type	Bid Threshold	Small Works Roster Threshold	Applicable RCW	Limits for Work by Agency Employees
Area Agency on Aging	Subject to state bid requirements of RCW 43.19		74.38.050	Follows state requirements of RCW 43.19
City, first class	\$75,500 (1 craft) \$150,000 (>1 craft)	\$350,000	35.22.620	Per project: \$75,500 (1 trade), \$150,000 (>1 trade). NTE 10% of public works budget.
City, second class and towns city code	\$75,500 (1 craft) \$116,155 (>1 craft)	\$350,000	35.23.352 35A.40.210	Per project: \$75,500 (1 trade), \$116,155 (>1 trade). NTE 10% of public works budget.
Conservation district	None; established by policy		89.08	No statutory limits - set by policy
County, population >400k with purchasing department	\$0	\$350,000	36.32.235	Per project: \$45,000 or \$125k for Riverine or stormwater project (1 trade), \$90,000 or \$250k for Riverine or stormwater project (>1 trade). NTE 10% of public works budget.
County, population <400,000 with purchasing department	\$0	\$350,000	36.32.240 36.32.235	Per project: \$45,000 or \$125k for Riverine or stormwater project (1 trade), \$90,000 or \$250k for Riverine or stormwater project (>1 trade). NTE 10% of public works budget.
County without purchasing department	\$40,000	\$350,000	36.32.250	Allowed for non-road projects; road project limits set according to population and motor vehicle fuel tax factor
Educational service district (ESD)	None; established by policy (unless contracting on behalf of a school district, in which case school district bid laws apply)		28A.310	Most restrictive of establishing jurisdiction; if NA then by policy
Fire district	\$20,000	\$350,000	52.14.110	Not authorized
Flood/diking/drainage district	\$5,000	\$350,000	85.38.190	\$5,000
Health district	None; established by policy		70.46	No statutory limits - set by policy
Hospital district	\$75,000	\$350,000	70.44.140	\$75,000
Housing authority	None; established by policy		35.82; AGO 2009 No. 2	No statutory limits - set by policy

Government Type	Bid Threshold	Small Works Roster Threshold	Applicable RCW	Limits for Work by Agency Employees
Interlocal agreement agency	Most restrictive of establishing jurisdiction		39.34	Most restrictive of establishing jurisdiction
Irrigation district	\$0	\$300,000	87.03.435-436	No limit; must bid materials used by employees; must follow public works bid process when materials unless provided by contractor
Library district	None; established by policy		27.12	Most restrictive of establishing jurisdiction; if NA then by policy
Mosquito control district	None; established by policy		17.28	No statutory limits - set by policy
Park and recreation district	None; established by policy		36.69	Most restrictive of establishing jurisdiction; if NA then by policy
Metropolitan parks district	\$20,000	\$350,000	35.61.135	\$20,000
Port district	\$40,000	\$300,000	53.08.120	Allowed for all projects, except when over \$40k, must make a determination whether cost is lower performed by contract
Public development authority (PDA)	Statutes of creating city or county		35.21.730	Statutes of creating city or county
Public facilities district (PFD)	None; established by policy		36.100.030 35.57.020	No statutory limits - set by policy
Public utility district (PUD)	\$50,000	\$350,000	54.04.070	\$300,000
Reclamation district (over 1 million acres)	All public works must be formally bid		89.30.154	Not authorized
Regional support network (RSN)	Statutes of creating county		71.24.300	Statutes of creating county
School district	\$100,000	\$350,000	28A.335.190	\$75,000
Self-insurance risk pool	Most restrictive of establishing jurisdiction		48.62	Most restrictive of establishing jurisdictions
State college or university	\$45,000 (1 craft) \$90,000 (>1 craft)	\$350,000	28B.10.350 28B.50.330	\$45,000 (1 craft) \$90,000 (>1 craft)
Transportation authority (under RCW 36.57 or 36.57A)	None; established by policy		36.57A	No statutory limits - set by policy
Transportation authority (under RCW 35.21.225 or 36.73)	Statutes of creating city or county		35.21.225 36.73	Most restrictive of establishing jurisdictions
Water-sewer district	\$50,000	\$350,000	57.08.050	\$50,000

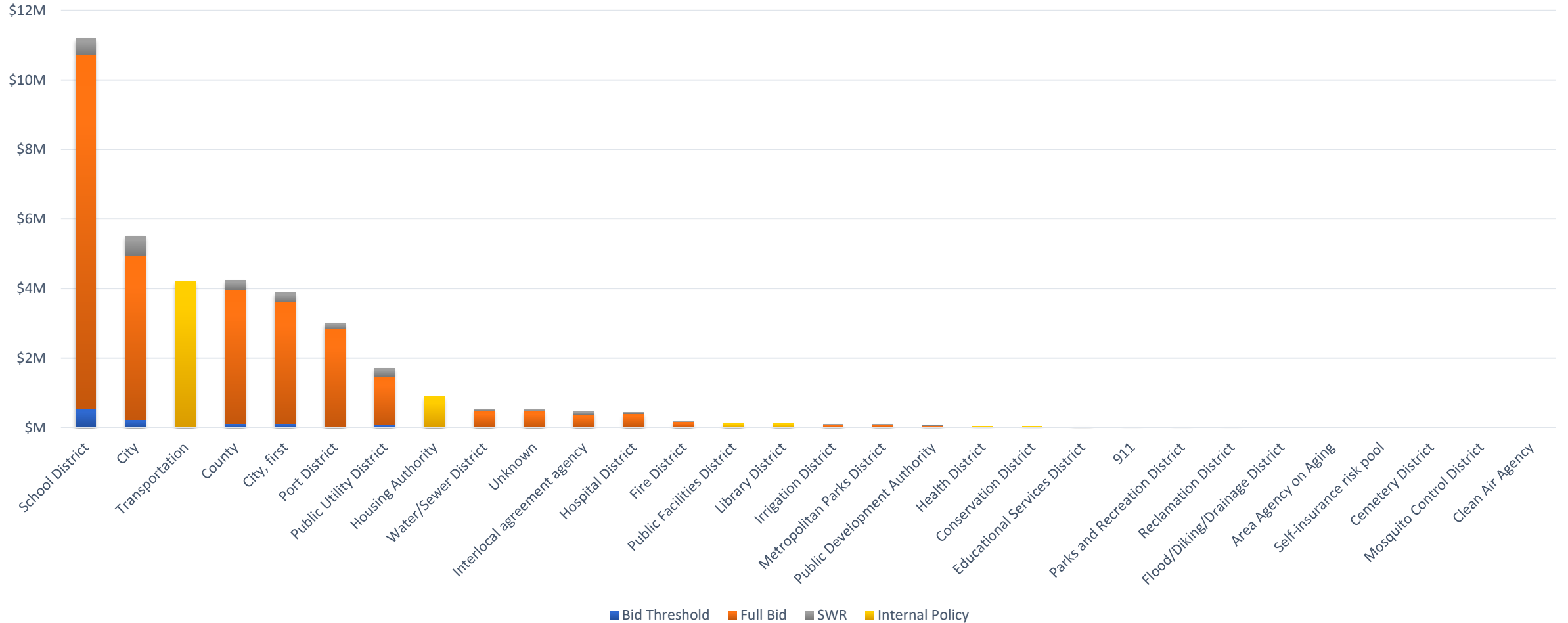
Note: "Craft" refers to professional trades. The bid threshold is thus based on the number of professional trades required to complete a project.

# *Most Commonly Used PW Contracting Procedures\**



\*As allowed by statute

# Public Works by Process FY '13-'19



# Implementation of thresholds

## Defined Amounts

01

Cities, Counties,  
Fire, Flood,  
Hospital,  
Irrigation, Ports,  
PUD, Schools,  
Water & Sewer

## Follow Other Agency

02

Area Agency on  
Aging  
Transportation,  
Public  
Development  
Authority

## Create Own Policies

03

Educational  
Service Districts,  
Health, Housing  
Authority,  
Conservation,  
Parks & Rec,  
Mosquito, Library

Some SPD's have been given the authority to use the small works roster and limited public works methods without specific statutory authority, but must set this practice via internal policy.

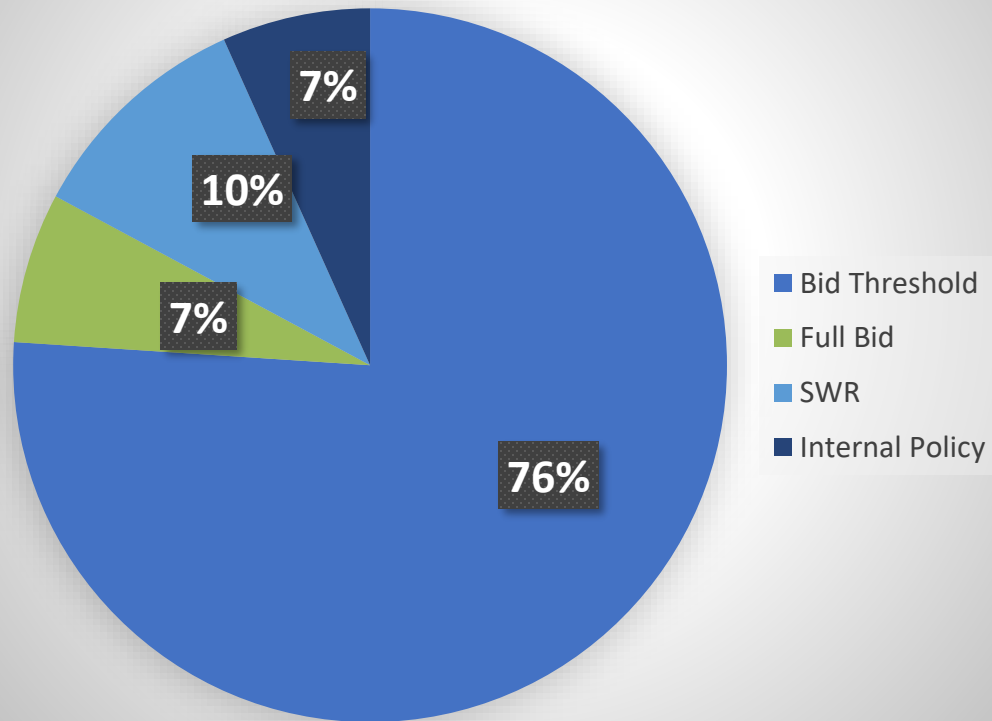


# Internal Policy Establishment

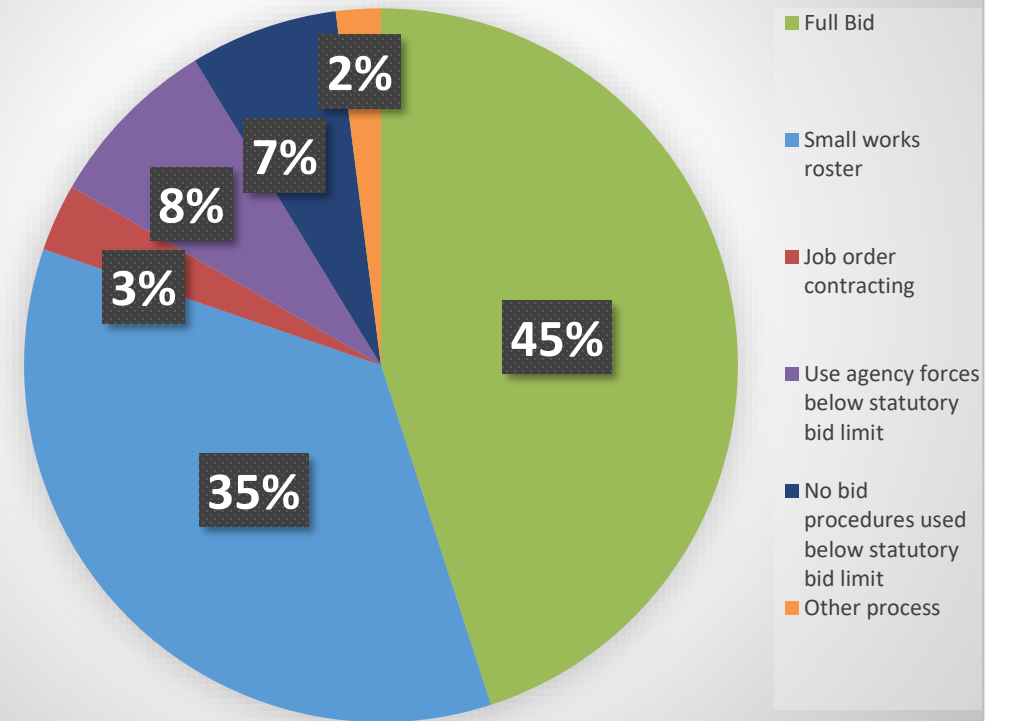
- Many policies established by agencies governing body
  - City council
  - Commissioner
  - Executive director
- Amounts varying greatly between agencies
- Meant to mitigate risk and allow more transparent communication between elected officials and agency staff
- **Even agencies that do have statutory limits set internal policies that are lower than the statutory limit**

# Comparing survey to allowed by statute data

Volume of Projects by Process  
(FY '13-'19)



Percent of public works projects using the following processes:



# Benefits of Small Works Roster



Advertising costs



Less expansive scopes and bid packages means more time for other work



Some agencies require council approval of bid award  
(Some councils delegate to department heads)



Formal bid process can take between 6-7 weeks  
depending on legislative body schedule



Higher limits encompass more maintenance projects





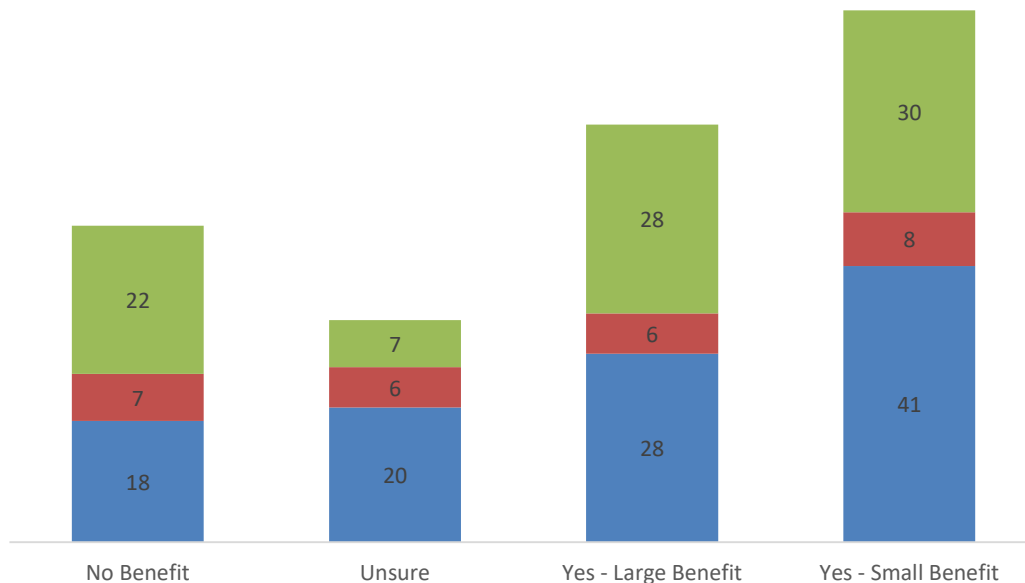
## Why change the process by lifting limits?

- Inflationary pressure, thresholds are static
- Desire to leverage SWR efficiencies on more projects

# Agency attitudes around changing SWR threshold

Do you see a benefit to increasing the SWR limit?

- Special Purpose District (School District, Fire District, Water District, Hospital District, etc.)
- County
- City



**Majority (64%) of local government participants indicated that they would benefit from an increase to the small public works roster threshold**

*“An increase would benefit us [by] relieving us the burden of advertising which costs and more importantly add to the timelines of getting a project under construction. In my agency, the formal bid procedures can add between 6-7 weeks to awarding a project depending on the commissioner's meeting schedule”*

*“We are a small district with limited staff. The formal bid process is time consuming and expensive.”*

*“A higher limit - around \$500K would encompass many maintenance and support contracts that are now subject to formal bidding. - Saves time and cost.”*

# Agency concerns with raising SWR thresholds

- May be met with reluctance by some agencies who use these limits as a means to minimize project risks
- Concern that abuses to the contracting process will occur with higher cost projects
- Some agencies have set more restrictive internal policies if they are uncomfortable with such perceived risks.
- Others may not wish to create distinct approval processes separate from amounts set by designated bidding thresholds.

**21% of participants indicated that they would have no benefit from an increased threshold**

- *“Our Council has capped what the city manager can approve to \$100,000”*
- *“Most of our projects are very small in dollar amount. Very few projects are over \$350,000”*
- *“We've not typically used the small works roster. We've found we don't effectively engage with quality contractors via our roster...”*

# Business Interest in Raising SWR Thresholds

## **Concerns over Transparency**

- Concern that award process for projects is fair and transparent
- Transparency of the threshold increase process
  - Perceived lack of clear logic driving threshold changes
  - Suggested having clearer guidelines when public agencies go through this process

## **Burdensome Requirements**

- Large businesses see formal bid process as a way to ensure a capable contractor is being hired
- Smaller businesses believe raising thresholds creates more opportunity for those that don't have staff to manage administrative paperwork but have work expertise

# Benefits of non- competitive bid process



Ability to leverage efficiency of agency crews



Fewer process restrictions, can set own (minimal) procedures

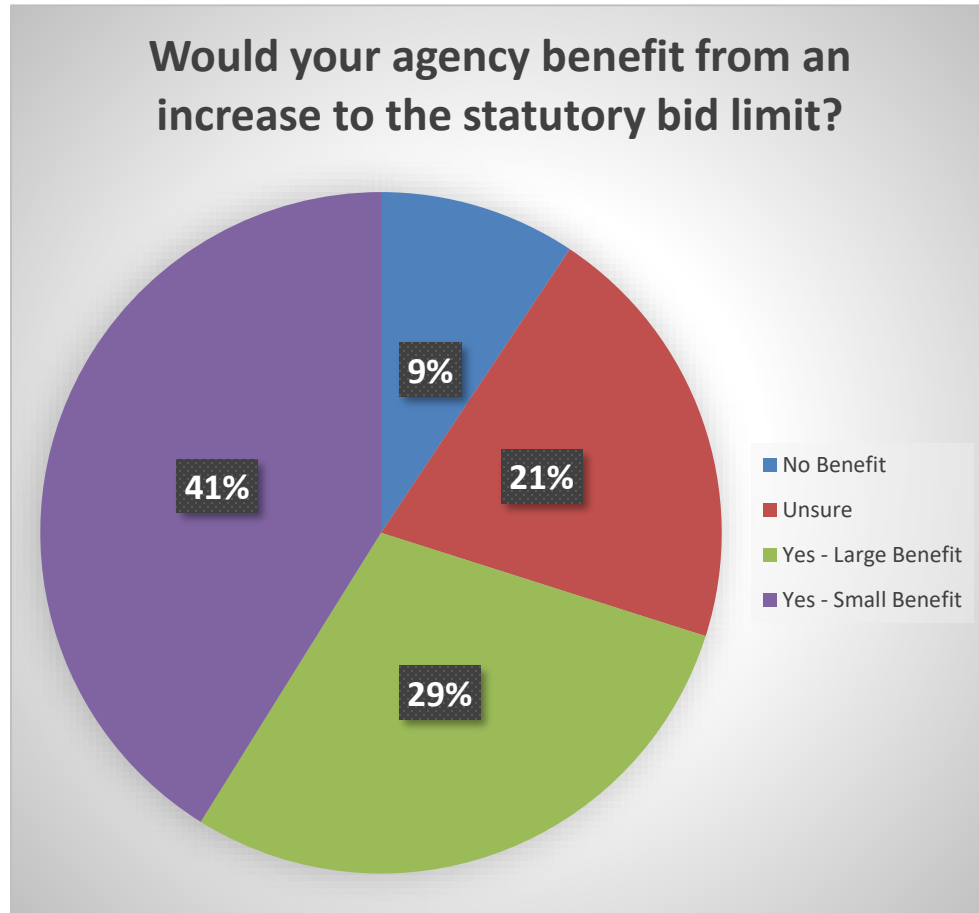


May use Roster to identify contractors but not bound in using them



Higher limits encompass more maintenance projects

# Attitudes around changing statutory bid threshold



**Majority (70%) of local government participants indicated that they would benefit from raising the statutory bid threshold**

*“It would allow for faster procurement processes. We have difficulties getting formal bids, most contractors prefer informal quotes.”*

*“Ability to perform in-house work with hire thresholds is often a common need for an agency our size. Bid limits present limitations on what can be done internally and with rising construction costs, bid limits should also be adjusted.”*

*“With prices going up for labor & materials yearly, increasing to higher thresholds ensures we can transact efficiently with what the market is dictating.”*

# Agency concerns with raising statutory bid thresholds

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- Internal policies may be lower or set separately so those limits would also need to be updated to see any benefit
- Some agencies may not have pain points associated with this threshold

- *“The current thresholds are working for us.”*
- *“We don't have statutory limits. I also don't think that our Executive Director or our Board of Directors would be comfortable with raising the thresholds.”*



# Current threshold change process

No criteria currently to determine what and when to change thresholds

Current process involves individual asks to legislature

- Results in uneven rules
- Some statutes create actual dollar limits instead of referring to primary statutes





## Questions for discussion

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- Do we think thresholds should be raised?
  - Under what conditions
- Are there considerations missing in this report/data?
- Are there recommendations we can make to legislators?

