

HOUSE BILL REPORT

HB 1460

As Reported by House Committee On: Transportation

Title: An act relating to county contracts for construction, maintenance, or repair of a marine vessel.

Brief Description: Regulating county contracts for marine vessels.

Sponsors: Representatives Green, Shabro, Flannigan, Talcott, Morrell and Lantz.

Brief History:

Committee Activity:

Transportation: 2/24/05, 3/5/05 [DPS].

Brief Summary of Substitute Bill

- On contracts for the construction, maintenance or repair of marine vessels, counties may substitute alternative forms of security in lieu of a bond.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 25 members: Representatives Murray, Chair; Wallace, Vice Chair; Woods, Ranking Minority Member; Skinner, Assistant Ranking Minority Member; Appleton, Buck, Campbell, Curtis, Dickerson, Ericksen, Hankins, Hudgins, Jarrett, Kilmer, Lovick, Morris, Nixon, Rodne, Sells, Shabro, Simpson, B. Sullivan, Takko, Upthegrove and Wood.

Staff: Beth Redfield (786-7347).

Background:

Existing law requires a contractor's bond for all public works contracts in excess of \$25,000 to be in an amount equal to the full contract price.

On contracts for the construction, maintenance or repair of marine vessels, the Department of Transportation is allowed to substitute alternative forms of security in lieu of the bond.

Acceptable alternative forms of security include: certified check, replacement bond, cashier's check, treasury bill, an irrevocable bank letter of credit, or assignment of a savings account.

Also authorized are other liquid assets approved by the Secretary of Transportation as well as a combination of a bond and an alternative form of security.

The Secretary of Transportation is required to predetermine and provide, in the bid package, the amount of the alternative security or bond. The bond or alternative security must be in an amount adequate to protect 100 percent of the state's exposure to loss.

In addition to the Washington State Ferry System, public ferry systems are operated by Pierce, Whatcom, Skagit, and Wahkiakum counties.

Summary of Substitute Bill:

On contracts for the construction, maintenance or repair of marine vessels, counties may also substitute alternative forms of security in lieu of a bond. The county engineer must approve the use of other liquid assets as the alternative form of security.

The county engineer is required to predetermine and provide, in the bid package, the amount of the alternative security or bond. The bond or alternative security must be in an amount adequate to protect 100 percent of the county's exposure to loss.

Prior to awarding any contract limiting security to the county's exposure to loss, a county shall develop and adopt an ordinance that establishes the procedure for determining the county's exposure to loss on contracts for construction, maintenance, or repair of a marine vessel.

Substitute Bill Compared to Original Bill:

Language referring to who approves an alternative form of security is clarified. The county engineer and the Secretary of Transportation, respectively, approve the use of alternative forms of security for county ferries and state ferries.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: Current law requires a performance bond for all public works projects greater than \$25,000. In 1989, the Legislature created an exception for Washington State Ferries because of the inability of the state to get bidders that could obtain the full bonding. The current bill would allow counties that same exception for bonding that the state enjoys. Pierce County intends to build a new ferry, to replace its 1936 vintage vessel which serves between Steilacoom and Anderson Island. When Pierce County put the contract out to bid, the bid came in 36 percent over the engineer's estimate. The county only got one bid back, because other companies couldn't meet the bonding requirement. The county would like some competition. Hopefully, this law would result in more bids that were realistic. The change represents little risk for counties. Counties would require 100 percent surety. Counties are already in the multi-million project business, regularly dealing with these sorts of financial

risks and project management issues. This bill would create an opportunity to manage marine vessel contracts in the same fashion we have for years in our other activities.

Testimony Against: None.

Persons Testifying: Representative Tami Green, prime sponsor; Jeff Monsen, Whatcom County; and Brian Ziegler, Pierce County.

Persons Signed In To Testify But Not Testifying: None.