

FINAL BILL REPORT

ESHB 2161

C 431 L 19
Synopsis as Enacted

Brief Description: Concerning ferry vessel procurement.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Fey and Fitzgibbon).

House Committee on Transportation

Background:

The Washington State Ferries (WSF) system is composed of 23 vessels, operating on 11 routes around the Puget Sound. In acquiring vessels for the system, the Washington State Department of Transportation (WSDOT) is authorized to use a design-build (DB) procurement process. This process consists of three phases: (1) evaluation of proposers; (2) preparation of technical proposals; and (3) evaluation of bids and selection of the successful bidder.

In 2018 the WSF accepted the fourth 144-car vessel in a series of new vessels procured under a DB process. The original contract was signed on December 13, 2007. Contract options for the four vessels were executed in 2011, 2012, 2014, and 2015. For each contract option, wages paid under the contract were updated to reflect current rates of prevailing wage. The contract will expire as of June 30, 2019.

The DB process was amended in 2015 to require:

- legislative approval before issuing a new request for proposal for new vessels;
- an independent owners' representative as a third-party intermediary during the development and construction of the first vessel in a new class;
- a fixed-price contract; and
- a requirement that if initial bids on a new contract are greater than 5 percent over the engineers' estimate, all bids must be rejected and a new request for proposals issued, which would not be subject to build-in-Washington requirements.

The 2015 changes do not apply to a class of vessels developed before July 6, 2015.

Ferry fares and pricing policies are set by the Washington State Transportation Commission (Commission). In 2011 the Commission was required to impose a 25-cent vessel

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replacement surcharge on every one-way and round-trip ferry fare sold, including multiride and monthly pass fares.

The Capital Vessel Replacement Account (account) is an appropriated account created in the Motor Vehicle Fund (restricted to highway purposes). Revenues to the account include the capital vessel replacement surcharge and service fees collected by the state and county auditors on transactions including, but not limited to, changes to vehicle titles and vehicle registration renewals. Expenditures from the account are for the construction or purchase of ferry vessels and to pay the principal and interest on bonds authorized for the construction or purchase of ferry vessels. Excess fund balance in the account may be used for ferry terminal construction and preservation.

Summary:

The WSDOT may modify an existing option contract executed prior to July 6, 2015, to allow for the purchase of up to five additional 144-auto ferry vessels, for a total of nine 144-auto ferry vessels, including the four Olympic-class vessels already delivered. The WSDOT must execute a new modification to an existing option contract for each of the additional five ferries.

To increase small business participation in ferry vessel procurement, the WSDOT's Office of Equal Opportunity must to develop and monitor a Small Business Enforceable Goals Program for ferry vessel contracts.

Beginning May 1, 2020, the Transportation Commission must impose an additional vessel replacement surcharge in an amount sufficient to fund 25-year debt service on one 144-auto vessel, taking into account funds provided by increases to vehicle transaction service fees enacted in the 2019 Legislative Session. The additional vessel replacement surcharge imposed by the Transportation Commission may not increase ferry fares by more than 10 percent. The use of vessel replacement surcharges is limited to the construction or purchase of ferry vessels and debt service authorized for the construction or purchase of ferry vessels.

Votes on Final Passage:

House	60	37	
Senate	31	16	(Senate amended)
House	63	35	(House concurred)

Effective: July 28, 2019