# CERTIFICATION OF ENROLLMENT

# SUBSTITUTE HOUSE BILL 1788

# 58th Legislature 2003 Regular Session

Passed by the House April 26, 2003 Yeas 98 Nays 0	CERTIFICATE
	I, Cynthia Zehnder, Chief Clerk of the House of Representatives of the State of Washington, do hereby
Speaker of the House of Representatives	certify that the attached is <b>SUBSTITUTE HOUSE BILL 1788</b> as passed by the House of Representatives and the Senate of
Passed by the Senate April 26, 2003 Yeas 46 Nays 0	the dates hereon set forth.
	Chief Clerk
President of the Senate	
Approved	FILED
Governor of the State of Washington	Secretary of State State of Washington

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### SUBSTITUTE HOUSE BILL 1788

#### AS AMENDED BY THE SENATE

Passed Legislature - 2003 Regular Session

## State of Washington 58th Legislature 2003 Regular Session

By House Committee on State Government (originally sponsored by Representatives Miloscia, Armstrong and Haigh)

READ FIRST TIME 03/05/03.

- 1 AN ACT Relating to job order contracting for public works; amending
- 2 RCW 39.10.020, 39.10.067, 39.08.030, 39.30.060, 60.28.011, and
- 3 39.10.902; adding a new section to chapter 39.10 RCW; and adding new
- 4 sections to chapter 39.12 RCW.

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- 5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 6 <u>NEW SECTION.</u> **Sec. 1.** A new section is added to chapter 39.10 RCW 7 to read as follows:
  - (1) Public bodies may use a job order contract for public works projects when:
- (a) A public body has made a determination that the use of job order contracts will benefit the public by providing an effective means of reducing the total lead-time and cost for public works projects or repair required at public facilities through the use of unit price books and work orders by eliminating time-consuming, costly aspects of the traditional public works process, which require separate contracting actions for each small project;
- 17 (b) The work order to be issued for a particular project does not exceed two hundred thousand dollars;

- 1 (c) Less than twenty percent of the dollar value of the work order 2 consists of items of work not contained in the unit price book; and
  - (d) At least eighty percent of the job order contract must be subcontracted to entities other than the job order contractor.
  - (2) Public bodies shall award job order contracts through a competitive process utilizing public requests for proposals. Public bodies shall make an effort to solicit proposals from a certified minority or certified woman-owned contractor to the extent permitted by the Washington state civil rights act, RCW 49.60.400. The public body shall publish, at least once in a legal newspaper of general circulation published in or as near as possible to that part of the county in which the public works will be done, a request for proposals for job order contracts and the availability and location of the request for proposal documents. The public body shall ensure that the request for proposal documents at a minimum includes:
  - (a) A detailed description of the scope of the job order contract including performance, technical requirements and specifications, functional and operational elements, minimum and maximum work order amounts, duration of the contract, and options to extend the job order contract;
    - (b) The reasons for using job order contracts;
    - (c) A description of the qualifications required of the proposer;
    - (d) The identity of the specific unit price book to be used;
  - (e) The minimum contracted amount committed to the selected job order contractor;
  - (f) A description of the process the public body will use to evaluate qualifications and proposals, including evaluation factors and the relative weight of factors. The public body shall ensure that evaluation factors include, but are not limited to, proposal price and the ability of the proposer to perform the job order contract. In evaluating the ability of the proposer to perform the job order contract, the public body may consider: The ability of the professional personnel who will work on the job order contract; past performance on similar contracts; ability to meet time and budget requirements; ability to provide a performance and payment bond for the job order contract; recent, current, and projected work loads of the proposer; location; and the concept of the proposal;
    - (g) The form of the contract to be awarded;

- 1 (h) The method for pricing renewals of or extensions to the job 2 order contract;
  - (i) A notice that the proposals are subject to the provisions of RCW 39.10.100; and
    - (j) Other information relevant to the project.

- (3) A public body shall establish a committee to evaluate the proposals. After the committee has selected the most qualified finalists, the finalists shall submit final proposals, including sealed bids based upon the identified unit price book. Such bids may be in the form of coefficient markups from listed price book costs. The public body shall award the contract to the firm submitting the highest scored final proposal using the evaluation factors and the relative weight of factors published in the public request for proposals.
- (4) The public body shall provide a protest period of at least ten business days following the day of the announcement of the apparent successful proposal to allow a protester to file a detailed statement of the grounds of the protest. The public body shall promptly make a determination on the merits of the protest and provide to all proposers a written decision of denial or acceptance of the protest. The public body shall not execute the contract until two business days following the public body's decision on the protest.
- (5) The public body shall issue no work orders until it has approved, in consultation with the office of minority and women's business enterprises or the equivalent local agency, a plan prepared by the job order contractor that equitably spreads certified women and minority business enterprise subcontracting opportunities, to the extent permitted by the Washington state civil rights act, RCW 49.60.400, among the various subcontract disciplines.
- (6) Job order contracts may be executed for an initial contract term of not to exceed two years, with the option of extending or renewing the job order contract for one year. All extensions or renewals must be priced as provided in the request for proposals. The extension or renewal must be mutually agreed to by the public body and the job order contractor.
- (7) The maximum total dollar amount that may be awarded under a job order contract shall not exceed three million dollars in the first year of the job order contract, five million dollars over the first two

- years of the job order contract, and, if extended or renewed, eight million dollars over the three years of the job order contract.
  - (8) For each job order contract, public bodies shall not issue more than two work orders equal to or greater than one hundred fifty thousand dollars in a twelve-month contract performance period.
  - (9) All work orders issued for the same project shall be treated as a single work order for purposes of the one hundred fifty thousand dollar limit on work orders in subsection (8) of this section and the two hundred thousand dollar limit on work orders in subsection (1)(b) of this section.
- 11 (10) Any new permanent, enclosed building space constructed under 12 a work order shall not exceed two thousand gross square feet.
- 13 (11) Each public body may have no more than two job order contracts 14 in effect at any one time.
- (12) For purposes of chapters 39.08, 39.12, 39.76, and 60.28 RCW, each work order issued shall be treated as a separate contract. The alternate filing provisions of RCW 39.12.040(2) shall apply to each work order that otherwise meets the eligibility requirements of RCW 39.12.040(2).
- 20 (13) The requirements of RCW 39.30.060 do not apply to requests for 21 proposals for job order contracts.
  - (14) Job order contractors shall pay prevailing wages for all work that would otherwise be subject to the requirements of chapter 39.12 RCW. Prevailing wages for all work performed pursuant to each work order must be the rates in effect at the time the individual work order is issued.
  - (15) If, in the initial contract term, the public body, at no fault of the job order contractor, fails to issue the minimum amount of work orders stated in the public request for proposals, the public body shall pay the contractor an amount equal to the difference between the minimum work order amount and the actual total of the work orders issued multiplied by an appropriate percentage for overhead and profit contained in the general conditions for Washington state facility construction. This will be the contractor's sole remedy.
- 35 (16) All job order contracts awarded under this section must be 36 executed before July 1, 2007, however the job order contract may be 37 extended or renewed as provided for in this section.

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- 1 (17) For purposes of this section, "public body" includes any 2 school district.
- **Sec. 2.** RCW 39.10.020 and 2001 c 328 s 1 are each amended to read 4 as follows:

- Unless the context clearly requires otherwise, the definitions in this section apply throughout this chapter.
- (1) "Alternative public works contracting procedure" means the design-build and the general contractor/construction manager contracting procedures authorized in RCW 39.10.051 and 39.10.061, respectively.
- (2) "Public body" means the state department of general administration; the University of Washington; Washington State University; every city with a population greater than seventy thousand and any public authority chartered by such city under RCW 35.21.730 through 35.21.755 and specifically authorized as provided in RCW 39.10.120(4); every county with a population greater than four hundred fifty thousand; every port district with total revenues greater than fifteen million dollars per year; every public utility district with revenues from energy sales greater than twenty-three million dollars per year; and those school districts proposing projects that are considered and approved by the school district project review board under RCW 39.10.115.
- (3) "Public works project" means any work for a public body within the definition of the term public work in RCW 39.04.010.
  - (4) "Job order contract" means a contract between a public body or any school district and a registered or licensed contractor in which the contractor agrees to a fixed period, indefinite quantity delivery order contract which provides for the use of negotiated, definitive work orders for public works as defined in RCW 39.04.010.
- 30 <u>(5) "Job order contractor" means a registered or licensed</u>
  31 <u>contractor awarded a job order contract.</u>
- 32 (6) "Unit price book" means a book containing specific prices,
  33 based on generally accepted industry standards and information, where
  34 available, for various items of work to be performed by the job order
  35 contractor. The prices may include: All the costs of materials;
  36 labor; equipment; overhead, including bonding costs; and profit for

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- performing the items of work. The unit prices for labor must be at the rates in effect at the time the individual work order is issued.
- 3 (7) "Work order" means an order issued for a definite scope of work
  4 to be performed pursuant to a job order contract.
- **Sec. 3.** RCW 39.10.067 and 2002 c 46 s 3 are each amended to read 6 as follows:

In addition to the projects authorized in RCW 39.10.061, public bodies may also use the general contractor/construction manager contracting procedure for the construction of school district capital demonstration projects, subject to the following conditions:

- 11 (1) The project must receive approval from the school district 12 project review board established under RCW 39.10.115.
  - (2) The school district project review board may not authorize more than ((ten)) sixteen demonstration projects valued over ((five)) ten million dollars ((ten)) which at least two demonstration projects must be valued between five and ten million dollars).
- 17 (3) The school district project review board may not authorize more
  18 than two demonstration projects valued between five and ten million
  19 dollars and the authorization for the two demonstration projects shall
  20 expire upon the completion of the two projects.
- **Sec. 4.** RCW 39.08.030 and 1989 c 58 s 1 are each amended to read 22 as follows:
  - (1) The bond mentioned in RCW 39.08.010 shall be in an amount equal to the full contract price agreed to be paid for such work or improvement, except under subsection (2) of this section, and shall be to the state of Washington, except as otherwise provided in RCW 39.08.100, and except in cases of cities and towns, in which cases such municipalities may by general ordinance fix and determine the amount of such bond and to whom such bond shall run: PROVIDED, The same shall not be for a less amount than twenty-five percent of the contract price of any such improvement, and may designate that the same shall be payable to such city, and not to the state of Washington, and all such persons mentioned in RCW 39.08.010 shall have a right of action in his, her, or their own name or names on such bond for work done by such laborers or mechanics, and for materials furnished or provisions and goods supplied and furnished in the prosecution of such work, or the

making of such improvements: PROVIDED, That such persons shall not have any right of action on such bond for any sum whatever, unless within thirty days from and after the completion of the contract with an acceptance of the work by the affirmative action of the board, council, commission, trustees, officer, or body acting for the state, county or municipality, or other public body, city, town or district, the laborer, mechanic or subcontractor, or materialman, or person claiming to have supplied materials, provisions or goods for the prosecution of such work, or the making of such improvement, shall present to and file with such board, council, commission, trustees or body acting for the state, county or municipality, or other public body, city, town or district, a notice in writing in substance as follows:

To (here insert the name of the state, county or municipality or other public body, city, town or district):

Notice is hereby given that the undersigned (here insert the name of the laborer, mechanic or subcontractor, or materialman, or person claiming to have furnished labor, materials or provisions for or upon such contract or work) has a claim in the sum of . . . . . dollars (here insert the amount) against the bond taken from . . . . . (here insert the name of the principal and surety or sureties upon such bond) for the work of . . . . . . (here insert a brief mention or description of the work concerning which said bond was taken).

Such notice shall be signed by the person or corporation making the claim or giving the notice, and said notice, after being presented and filed, shall be a public record open to inspection by any person, and in any suit or action brought against such surety or sureties by any such person or corporation to recover for any of the items hereinbefore specified, the claimant shall be entitled to recover in addition to all other costs, attorney's fees in such sum as the court shall adjudge reasonable: PROVIDED, HOWEVER, That no attorney's fees shall be allowed in any suit or action brought or instituted before the expiration of thirty days following the date of filing of the notice hereinbefore mentioned: PROVIDED FURTHER, That any city may avail

- 1 itself of the provisions of RCW 39.08.010 through 39.08.030,
- 2 notwithstanding any charter provisions in conflict herewith: AND
- 3 PROVIDED FURTHER, That any city or town may impose any other or further
- 4 conditions and obligations in such bond as may be deemed necessary for
- 5 its proper protection in the fulfillment of the terms of the contract
- 6 secured thereby, and not in conflict herewith.
- 7 (2) Under the job order contracting procedure described in section
- 8 <u>1 of this act, bonds will be in an amount not less than the dollar</u>
- 9 <u>value of all open work orders.</u>

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- 10 **Sec. 5.** RCW 39.30.060 and 2002 c 163 s 2 are each amended to read 11 as follows:
  - (1) Every invitation to bid on a prime contract that is expected to cost one million dollars or more for the construction, alteration, or repair of any public building or public work of the state or a state agency or municipality as defined under RCW 39.04.010 or an institution of higher education as defined under RCW 28B.10.016 shall require each prime contract bidder to submit as part of the bid, or within one hour after the published bid submittal time, the names of the subcontractors with whom the bidder, if awarded the contract, will subcontract for performance of the work of: HVAC (heating, ventilation, and air conditioning); plumbing as described in chapter 18.106 RCW; and electrical as described in chapter 19.28 RCW, or to name itself for the The prime contract bidder shall not list more than one subcontractor for each category of work identified, unless subcontractors vary with bid alternates, in which case the prime contract bidder must indicate which subcontractor will be used for which alternate. Failure of the prime contract bidder to submit as part of the bid the names of such subcontractors or to name itself to perform such work or the naming of two or more subcontractors to perform the same work shall render the prime contract bidder's bid nonresponsive and, therefore, void.
  - (2) Substitution of a listed subcontractor in furtherance of bid shopping or bid peddling before or after the award of the prime contract is prohibited and the originally listed subcontractor is entitled to recover monetary damages from the prime contract bidder who executed a contract with the public entity and the substituted subcontractor but not from the public entity inviting the bid. It is

- the original subcontractor's burden to prove by a preponderance of the evidence that bid shopping or bid peddling occurred. Substitution of a listed subcontractor may be made by the prime contractor for the following reasons:
  - (a) Refusal of the listed subcontractor to sign a contract with the prime contractor;
    - (b) Bankruptcy or insolvency of the listed subcontractor;

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- 8 (c) Inability of the listed subcontractor to perform the 9 requirements of the proposed contract or the project;
  - (d) Inability of the listed subcontractor to obtain the necessary license, bonding, insurance, or other statutory requirements to perform the work detailed in the contract; or
- 13 (e) The listed subcontractor is barred from participating in the 14 project as a result of a court order or summary judgment.
- 15 (3) The requirement of this section to name the prime contract
  16 bidder's proposed HVAC, plumbing, and electrical subcontractors applies
  17 only to proposed HVAC, plumbing, and electrical subcontractors who will
  18 contract directly with the prime contract bidder submitting the bid to
  19 the public entity.
- 20 (4) This section does not apply to job order contract requests for proposals under section 1 of this act.
- NEW SECTION. Sec. 6. A new section is added to chapter 39.12 RCW to read as follows:
- Job order contracts under section 1 of this act must pay prevailing wages for all work that would otherwise be subject to the requirements of this chapter. Prevailing wages for all work performed pursuant to each work order must be the rates in effect at the time the individual work order is issued.
- 29 **Sec. 7.** RCW 60.28.011 and 2000 c 185 s 1 are each amended to read 30 as follows:
- 31 (1) Public improvement contracts shall provide, and public bodies 32 shall reserve, a contract retainage not to exceed five percent of the 33 moneys earned by the contractor as a trust fund for the protection and 34 payment of: (a) The claims of any person arising under the contract; 35 and (b) the state with respect to taxes imposed pursuant to Title 82 36 RCW which may be due from such contractor.

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- (2) Every person performing labor or furnishing supplies toward the completion of a public improvement contract shall have a lien upon moneys reserved by a public body under the provisions of a public improvement contract. However, the notice of the lien of the claimant shall be given within forty-five days of completion of the contract work, and in the manner provided in RCW 39.08.030.
- (3) The contractor at any time may request the contract retainage be reduced to one hundred percent of the value of the work remaining on the project.
- (a) After completion of all contract work other than landscaping, the contractor may request that the public body release and pay in full the amounts retained during the performance of the contract, and sixty days thereafter the public body must release and pay in full the amounts retained (other than continuing retention of five percent of the moneys earned for landscaping) subject to the provisions of chapters 39.12 and 60.28 RCW.
- (b) Sixty days after completion of all contract work the public body must release and pay in full the amounts retained during the performance of the contract subject to the provisions of chapters 39.12 and 60.28 RCW.
- (4) The moneys reserved by a public body under the provisions of a public improvement contract, at the option of the contractor, shall be:
  - (a) Retained in a fund by the public body;
- (b) Deposited by the public body in an interest bearing account in a bank, mutual savings bank, or savings and loan association. Interest on moneys reserved by a public body under the provision of a public improvement contract shall be paid to the contractor;
- (c) Placed in escrow with a bank or trust company by the public body. When the moneys reserved are placed in escrow, the public body shall issue a check representing the sum of the moneys reserved payable to the bank or trust company and the contractor jointly. This check shall be converted into bonds and securities chosen by the contractor and approved by the public body and the bonds and securities shall be held in escrow. Interest on the bonds and securities shall be paid to the contractor as the interest accrues.
- (5) The contractor or subcontractor may withhold payment of not more than five percent from the moneys earned by any subcontractor or sub-subcontractor or supplier contracted with by the contractor to

provide labor, materials, or equipment to the public project. Whenever the contractor or subcontractor reserves funds earned by a subcontractor or sub-subcontractor or supplier, the contractor or subcontractor shall pay interest to the subcontractor or subsubcontractor or supplier at a rate equal to that received by the contractor or subcontractor from reserved funds.

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- (6) A contractor may submit a bond for all or any portion of the contract retainage in a form acceptable to the public body and from a bonding company meeting standards established by the public body. public body shall accept a bond meeting these requirements unless the public body can demonstrate good cause for refusing to accept it. bond and any proceeds therefrom are subject to all claims and liens and in the same manner and priority as set forth for retained percentages in this chapter. The public body shall release the bonded portion of the retained funds to the contractor within thirty days of accepting the bond from the contractor. Whenever a public body accepts a bond in lieu of retained funds from a contractor, the contractor shall accept like bonds from any subcontractors or suppliers from which the contractor has retained funds. The contractor shall then release the funds retained from the subcontractor or supplier to the subcontractor supplier within thirty days of accepting the bond from the subcontractor or supplier.
- (7) If the public body administering a contract, after a substantial portion of the work has been completed, finds that an unreasonable delay will occur in the completion of the remaining portion of the contract for any reason not the result of a breach thereof, it may, if the contractor agrees, delete from the contract the remaining work and accept as final the improvement at the stage of completion then attained and make payment in proportion to the amount of the work accomplished and in this case any amounts retained and accumulated under this section shall be held for a period of sixty days following the completion. In the event that the work is terminated before final completion as provided in this section, the public body may thereafter enter into a new contract with the same contractor to perform the remaining work or improvement for an amount equal to or less than the cost of the remaining work as was provided for in the original contract without advertisement or bid. The provisions of this

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1 chapter are exclusive and shall supersede all provisions and 2 regulations in conflict herewith.

- (8) Whenever the department of transportation has contracted for 3 the construction of two or more ferry vessels, sixty days after 4 5 completion of all contract work on each ferry vessel, the department must release and pay in full the amounts retained in connection with 6 7 the construction of the vessel subject to the provisions of RCW However, the department 60.28.020 and chapter 39.12 RCW. 8 transportation may at its discretion condition the release of funds 9 10 retained in connection with the completed ferry upon the contractor delivering a good and sufficient bond with two or more sureties, or 11 12 with a surety company, in the amount of the retained funds to be 13 released to the contractor, conditioned that no taxes shall be 14 certified or claims filed for work on the ferry after a period of sixty days following completion of the ferry; and if taxes are certified or 15 16 claims filed, recovery may be had on the bond by the department of 17 revenue and the materialmen and laborers filing claims.
  - (9) Except as provided in subsection (1) of this section, reservation by a public body for any purpose from the moneys earned by a contractor by fulfilling its responsibilities under public improvement contracts is prohibited.
  - (10) Contracts on projects funded in whole or in part by farmers home administration and subject to farmers home administration regulations are not subject to subsections (1) through (9) of this section.
  - (11) This subsection applies only to a public body that has contracted for the construction of a facility using the general contractor/construction manager procedure, as defined under RCW ((39.10.060)) 39.10.061. If the work performed by a subcontractor on the project has been completed within the first half of the time provided in the general contractor/construction manager contract for completing the work, the public body may accept the completion of the subcontract. The public body must give public notice of this acceptance. After a forty-five day period for giving notice of liens, and compliance with the retainage release procedures in RCW 60.28.021, the public body may release that portion of the retained funds associated with the subcontract. Claims against the retained funds after the forty-five day period are not valid.

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- (12) Unless the context clearly requires otherwise, the definitions 1 2 in this subsection apply throughout this section.
- (a) "Contract retainage" means an amount reserved by a public body 3 from the moneys earned by a person under a public improvement contract. 4
- 5 (b) "Person" means a person or persons, mechanic, subcontractor, or materialperson who performs labor or provides materials for a public 6 7 improvement contract, and any other person who supplies the person with 8 provisions or supplies for the carrying on of a public improvement 9 contract.
- (c) "Public body" means the state, or a county, city, town, 10 district, board, or other public body. 11
- 12 (d) "Public improvement contract" means a contract for public 13 improvements or work, other than for professional services, or a work 14 order as defined in RCW 39.10.020.
- 15 Sec. 8. RCW 39.10.902 and 2002 c 46 s 4 are each amended to read 16 as follows:
- 17 The following acts or parts of acts, as now existing or hereafter 18 amended, are each repealed, effective July 1, 2007:
- 19 (1) RCW 39.10.010 and 1994 c 132 s 1;
- 20 (2) RCW 39.10.020 and 2003 c ... s 2 (section 2 of this act), 2001 c 328 s 1, 2000 c 209 s 1, 1997 c 376 s 1, & 1994 c 132 s 2; 21
- 22 (3) RCW 39.10.030 and 1997 c 376 s 2 & 1994 c 132 s 3;
- (4) RCW 39.10.040 and 1994 c 132 s 4; 23
- (5) RCW 39.10.051 and 2002 c 46 s 1 & 2001 c 328 s 2; 24
  - (6) RCW 39.10.061 and 2002 c 46 s 2 & 2001 c 328 s 3;
- 26 (7) RCW 39.10.065 and 1997 c 376 s 5;

- (8) RCW 39.10.067 and 2003 c ... s 3 (section 3 of this act), 2002 27 c 46 s 3, & 2000 c 209 s 3; 28
- (9) RCW 39.10.070 and 1994 c 132 s 7; 29
- (10) RCW 39.10.080 and 1994 c 132 s 8; 30
- 31 (11) RCW 39.10.090 and 1994 c 132 s 9;
- (12) RCW 39.10.100 and 1994 c 132 s 10; 32
- (13) RCW 39.10.115 and 2001 c 328 s 4 & 2000 c 209 s 4; 33
- (14) RCW 39.10.900 and 1994 c 132 s 13; ((and)) 34
- (15) RCW 39.10.901 and 1994 c 132 s 14; and 35
- 36 (16) RCW 39.10.-- and 2003 c ... s 1 (section 1 of this act).

- NEW SECTION. **sec. 9.** A new section is added to chapter 39.12 RCW to read as follows:
- The following acts or parts of acts, as now existing or hereafter amended, are each repealed, effective July 1, 2007:
- 5 RCW 39.12.-- and 2003 c . . . s 6 (section 6 of this act).

--- END ---