# CERTIFICATION OF ENROLLMENT

## SECOND SUBSTITUTE HOUSE BILL 3274

Chapter 130, Laws of 2008

60th Legislature 2008 Regular Session

PORT DISTRICTS--PUBLIC CONTRACTING

EFFECTIVE DATE: 06/12/08

Passed by the House March 8, 2008 Yeas 93 Nays 0

## FRANK CHOPP

## Speaker of the House of Representatives

Passed by the Senate March 6, 2008 Yeas 49 Nays 0

## CERTIFICATE

I, Barbara Baker, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **SECOND SUBSTITUTE HOUSE BILL 3274** as passed by the House of Representatives and the Senate on the dates hereon set forth.

## BARBARA BAKER

Chief Clerk

#### BRAD OWEN

FILED

Approved March 25, 2008, 11:20 a.m.

President of the Senate

March 25, 2008

CHRISTINE GREGOIRE

Secretary of State State of Washington

Governor of the State of Washington

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## SECOND SUBSTITUTE HOUSE BILL 3274

## AS AMENDED BY THE SENATE

Passed Legislature - 2008 Regular Session

## State of Washington

60th Legislature

2008 Regular Session

By House Appropriations Subcommittee on General Government & Audit Review (originally sponsored by Representatives Simpson, Hudgins, Upthegrove, Hunter, Santos, and Kenney)

READ FIRST TIME 02/07/08.

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- AN ACT Relating to improving public contracting for public port districts; amending RCW 53.08.120, 39.30.020, 39.04.010, and 53.12.270; reenacting and amending RCW 39.04.155; adding new sections to chapter 53.08 RCW; adding a new chapter to Title 53 RCW; creating a new section; prescribing penalties; and providing an expiration date.
- 6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:
- 7 **Sec. 1.** RCW 53.08.120 and 2000 c 138 s 210 are each amended to 8 read as follows:
  - (1) All material <u>and work</u> required by a port district <u>not meeting</u> the definition of public work in RCW 39.04.010(4) may be procured in the open market or by contract and all work ordered may be done by contract or day labor.
  - (2)(a) All such contracts for work meeting the definition of "public work" in RCW 39.04.010(4), the estimated cost of which exceeds two hundred thousand dollars, shall be awarded using a competitive bid process. The contract must be ((let)) awarded at public bidding upon notice published in a newspaper of general circulation in the district at least thirteen days before the last date upon which bids will be received, calling for ((sealed)) bids upon the work, plans and

specifications for which shall then be on file in the office of the commission for public inspection. The same notice may call for bids on such work or material based upon plans and specifications submitted by the bidder. The competitive bidding requirements for purchases or public works may be waived pursuant to RCW 39.04.280 if an exemption contained within that section applies to the purchase or public work.

((However)) (b) For all contracts related to work meeting the definition of "public work" in RCW 39.04.010(4) that are estimated at two hundred thousand dollars or less, a port district may let contracts using the small works roster process under RCW 39.04.155 in lieu of ((calling)) advertising for ((sealed)) bids. Whenever possible, the managing official shall invite at least one proposal from a minority contractor who shall otherwise qualify under this section.

When awarding such a contract for work, when utilizing proposals from the small works roster, the managing official shall give weight to the contractor submitting the lowest and best proposal, and whenever it would not violate the public interest, such contracts shall be distributed equally among contractors, including minority contractors, on the small works roster.

# Sec. 2. RCW 39.30.020 and 1974 ex.s. c 74 s 1 are each amended to read as follows:

In addition to any other remedies or penalties contained in any law, municipal charter, ordinance, resolution or other enactment, any municipal officer by or through whom or under whose supervision, in whole or in part, any contract is made in ((wilful)) willful and intentional violation of any law, municipal charter, ordinance, resolution or other enactment requiring competitive bidding procurement procedures for consulting, architectural, engineering, or other services, upon such contract shall be held liable to a civil penalty of not less than three hundred dollars and may be held liable, jointly and severally with any other such municipal officer, for all consequential damages to the municipal corporation. If, as a result of a criminal action, the violation is found to have been intentional, the municipal officer shall immediately forfeit his or her office. purposes of this section, "municipal officer" ((shall)) means an "officer" or "municipal officer" as those terms are defined in RCW 42.23.020(2).

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NEW SECTION. **Sec. 3.** A new section is added to chapter 53.08 RCW to read as follows:

By January 1, 2010, each port with more than ten million dollars in annual gross revenues, excluding grant and loan funds, shall maintain a database on a public web site of all contracts, including public works and personal services. At a minimum, the database shall identify the contractor, the purpose of the contract, effective dates and periods of performance, the cost of the contract and funding source, any modifications to the contract, and whether the contract was competitively procured or awarded on a sole source basis.

- NEW SECTION. **Sec. 4.** A new section is added to chapter 53.08 RCW to read as follows:
  - (1) If a port district purchases property for a facility outside the port's jurisdiction, the port district or districts with responsibility for the future property development and use must prepare and implement a communication plan within sixty days after contracting with a site planning consultant. The communication plan must be reasonably calculated to provide property owners and other affected and interested individuals information for review and comment. The plan shall be made available through the planning and predesign phase. The communication plan shall include information about:
  - (a) The type and scale of proposed uses on the site;
  - (b) The type and scale of business and industrial activities that the development is likely to later attract to the site and to the nearby area;
    - (c) The general character and scope of potential impacts on air and water quality, noise, and local and state transportation infrastructure, including state highways, local roads, rail, and shipping.
    - (2) Information included in the communication plan under subsection (1) of this section may be made available by means of web pages, office inspection and copying of materials, one or more property tours, and public meetings that allow interested citizens to comment to port officials on several occasions over time as the development plans evolve.
- 36 (3) Environmental mitigation, habitat restoration, and dredged

- 1 material disposal projects are exempt from the requirements of this 2 section.
- NEW SECTION. Sec. 5. The legislature hereby establishes a policy of open competition for all personal service contracts entered into by port districts unless specifically exempted under this chapter. It is further the intent to provide differentiation between the competitive procurement procedures for personal and professional services contracts.
- 9 <u>NEW SECTION.</u> **Sec. 6.** The definitions in this section apply throughout this chapter unless the context clearly requires otherwise.
- 11 (1) "Commission" means the elected oversight body of an individual port.
  - (2) "Competitive solicitation" means a documented formal process providing an equal and open opportunity to qualified parties and culminating in a selection based on criteria, in which criteria other than price may be the primary basis for consideration. The criteria may include such factors as the consultant's fees or costs, ability, capacity, experience, reputation, responsiveness to time limitations, responsiveness to solicitation requirements, quality of previous performance, and compliance with statutes and rules relating to contracts or services.
  - (3) "Consultant" means an independent individual or firm contracting with a port to perform a service or render an opinion or recommendation according to the consultant's methods and without being subject to the control of the port except as to the result of the work. The port monitors progress under the contract and authorizes payment.
- 27 (4) "Emergency" means a set of unforeseen circumstances beyond the control of the port that either:
- 29 (a) Present a real, immediate threat to the proper performance of 30 essential functions; or
- 31 (b) May result in material loss or damage to property, bodily 32 injury, or loss of life if immediate action is not taken.
- 33 (5) "Evidence of competition" means documentation demonstrating 34 that the port has solicited responses from multiple firms in selecting 35 a consultant.

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- (6) "Personal service" means professional or technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement which may not reasonably be required in connection with a public works project meeting the definition in RCW 39.04.010(4). "Personal service" does not include purchased services as defined under subsection (8) of this section or professional services procured using the competitive selection requirements in chapter 39.80 RCW.
- 9 (7) "Personal service contract" means an agreement, or any 10 amendment thereto, with a consultant for the rendering of personal 11 services to the port.
  - (8) "Purchased services" means services provided by a vendor to accomplish routine, continuing, and necessary functions. "Purchased services" includes, but is not limited to, services for equipment maintenance and repair; operation of a physical plant; security; computer hardware and software maintenance; data entry; key punch services; and computer time-sharing, contract programming, and analysis.
  - (9) "Sole source" means a consultant providing professional or technical expertise of such a unique nature that the consultant is clearly and justifiably the only practicable source to provide the service. The justification shall be based on the uniqueness of the service, sole availability at the location required, or warranty or defect correction service obligations of the consultant.
  - <u>NEW SECTION.</u> **Sec. 7.** All personal service contracts shall be entered into pursuant to competitive solicitation, except for:
  - (1) Emergency contracts;

- (2) Sole source contracts;
- 29 (3) Contract amendments;
  - (4) Contracts between a consultant and a port of less than fifty thousand dollars. However, contracts of fifty thousand dollars or greater but less than two hundred thousand dollars shall have documented evidence of competition. Ports shall not structure contracts to evade these requirements; and
- 35 (5) Other specific contracts or classes or groups of contracts 36 exempted from the competitive solicitation process by the commission

- when it has been determined that a competitive solicitation process is not appropriate or cost-effective.
  - NEW SECTION. Sec. 8. Emergency contracts shall be filed with the commission and made available for public inspection within seven working days following the commencement of work or execution of the contract, whichever occurs first. Documented justification for emergency contracts shall be provided to the commission when the contract is filed.
- 9 NEW SECTION. Sec. 9. (1) Sole source contracts shall be filed 10 with the commission and made available for public inspection prior to 11 the proposed starting date of the contract. Documented justification 12 for sole source contracts shall be provided to the commission when the 13 contract is filed. For sole source contracts of fifty thousand dollars 14 or more, documented justification shall include evidence that the port 15 attempted to identify potential consultants.
- 16 (2) The commission shall ensure that the costs, fees, or rates 17 negotiated in filed sole source contracts of fifty thousand dollars or 18 more are reasonable.
  - NEW SECTION. Sec. 10. A port commissioner or employee shall not expend any funds for personal service contracts subject to this chapter unless the port has complied with the competitive procurement and other requirements of this chapter. The port commissioner or employee executing the personal service contracts is responsible for compliance with the requirements of this chapter. Willful and intentional failure to comply with the requirements of this chapter subjects the port commissioner or employee to a civil penalty in the amount of three hundred dollars. A consultant who knowingly violates this chapter in seeking or performing work under a personal services contract is subject to a civil penalty of three hundred dollars or twenty-five percent of the amount of the contract, whichever is greater. The state auditor is responsible for auditing violations of this chapter through its regular financial and accountability audits. The attorney general is responsible for prosecuting violations of this chapter.

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- NEW SECTION. Sec. 11. (1) Substantial changes in the scope of work specified in the contract or which are substantial additions to the scope of work specified in the formal solicitation document shall be submitted to the commission for a determination as to whether the change warrants the work to be awarded as a new contract.
- (2) An amendment or amendments to personal service contracts, if the value of the amendment or amendments, whether singly or cumulatively, exceeds fifty percent of the value of the original contract must be filed with the commission and made available for public inspection prior to the proposed starting date of services under the amendments.

# 12 <u>NEW SECTION.</u> **Sec. 12.** This chapter does not apply to:

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- (1) Contracts specifying a fee of less than fifty thousand dollars;
- 14 (2) Contracts awarded to companies that furnish a service where the 15 tariff is established by the utilities and transportation commission or 16 other public entity;
  - (3) Intergovernmental agreements awarded to any governmental entity, whether federal, state, or local and any department, division, or subdivision thereof;
  - (4) Contracts awarded for services to be performed for a standard fee, when the standard fee is established by the contracting agency or any other governmental entity and a like contract is available to all qualified applicants;
  - (5) Contracts for services that are necessary to the conduct of collaborative research if prior approval is granted by the funding source;
- 27 (6) Contracts for professional services which are entered into 28 under chapter 39.80 RCW; and
- 29 (7) Contracts for the employment of expert witnesses for the 30 purposes of litigation or legal services to supplement the expertise of 31 port staff.
- NEW SECTION. Sec. 13. (1) The municipal research services center, in cooperation with the Washington public ports association, shall develop guidelines for the effective and efficient management of personal service contracts by all ports. The guidelines must, at a minimum, include:

- 1 (a) Accounting methods, systems, measures, and principles to be 2 used by ports and consultants;
  - (b) Precontract procedures for selecting potential consultants based on their qualifications and ability to perform;
    - (c) Incorporation of performance measures and measurable benchmarks in contracts, and the use of performance audits;
  - (d) Uniform contract terms to ensure contract performance and compliance with port, state, and federal standards;
- 9 (e) Proper payment and reimbursement methods to ensure that the 10 port receives full value for taxpayer moneys, including cost 11 settlements and cost allowance;
  - (f) Postcontract procedures, including methods for recovering improperly spent or overspent moneys for disallowance and adjustment;
    - (g) Adequate contract remedies and sanctions to ensure compliance;
- 15 (h) Monitoring, fund tracking, risk assessment, and auditing 16 procedures and requirements;
- 17 (i) Financial reporting, record retention, and record access 18 procedures and requirements;
- 19 (j) Procedures and criteria for terminating contracts for cause or 20 otherwise; and
- 21 (k) Any other subject related to effective and efficient contract 22 management.
  - (2) The municipal research services center shall submit a status report on the guidelines required by subsection (1) of this section to the governor and the appropriate standing committees of the legislature no later than December 1, 2008.
  - (3) The Washington public ports association shall publish a guidebook for use by ports containing the guidelines developed under subsection (1) of this section.
- 30 (4) The municipal research services center and the Washington 31 public ports association shall each make the guidelines available on 32 their web sites.
- NEW SECTION. Sec. 14. (1) A port entering into or amending personal service contracts shall follow the policies adopted by the commission, which shall be based on guidelines developed pursuant to section 13 of this act.

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- 1 (2) This section applies to ports entering into or renewing 2 contracts after January 1, 2010.
- <u>NEW SECTION.</u> **Sec. 15.** The Washington public ports association shall provide a training course for port personnel responsible for executing and managing personal service contracts. The course must contain training on effective and efficient contract management under the guidelines established under section 13 of this act. districts shall require port employees responsible for executing or managing personal service contracts to complete the training course to the satisfaction of the commission.
- **Sec. 16.** RCW 39.04.010 and 2007 c 133 s 1 are each amended to read 12 as follows:
- 13 The definitions in this section apply throughout this chapter 14 unless the context clearly requires otherwise.

- (1) "Award" means the formal decision by the state or municipality notifying a responsible bidder with the lowest responsive bid of the ((state)) state's or municipality's acceptance of the bid and intent to enter into a contract with the bidder.
  - (2) "Contract" means a contract in writing for the execution of public work for a fixed or determinable amount duly awarded after advertisement and competitive bid, or a contract awarded under the small works roster process in RCW 39.04.155.
  - (3) "Municipality" means every city, county, town, port district, district, or other public agency authorized by law to require the execution of public work, except drainage districts, diking districts, diking and drainage improvement districts, drainage improvement districts, diking improvement districts, consolidated diking and drainage improvement districts, consolidated drainage improvement districts, consolidated dixing improvement districts, irrigation districts, or other districts authorized by law for the reclamation or development of waste or undeveloped lands.
- (4) "Public work" means all work, construction, alteration, repair, or improvement other than ordinary maintenance, executed at the cost of the state or of any municipality, or which is by law a lien or charge on any property therein. All public works, including maintenance when performed by contract shall comply with chapter 39.12 RCW. "Public

- 1 work" does not include work, construction, alteration, repair, or 2 improvement performed under contracts entered into under RCW
- 3 36.102.060(4) or under development agreements entered into under RCW
- 4 36.102.060(7) or leases entered into under RCW 36.102.060(8).
- 5 (5) "Responsible bidder" means a contractor who meets the criteria 6 in RCW 39.04.350.
- 7 (6) "State" means the state of Washington and all departments, 8 supervisors, commissioners, and agencies of the state.
- **Sec. 17.** RCW 39.04.155 and 2007 c 218 s 87, 2007 c 210 s 1, and 2007 c 133 s 4 are each reenacted and amended to read as follows:
  - (1) This section provides uniform small works roster provisions to award contracts for construction, building, renovation, remodeling, alteration, repair, or improvement of real property that may be used by state agencies and by any local government that is expressly authorized to use these provisions. These provisions may be used in lieu of other procedures to award contracts for such work with an estimated cost of two hundred thousand dollars or less. The small works roster process includes the limited public works process authorized under subsection (3) of this section and any local government authorized to award contracts using the small works roster process under this section may award contracts using the limited public works process under subsection (3) of this section.
  - (2)(a) A state agency or authorized local government may create a single general small works roster, or may create a small works roster for different specialties or categories of anticipated work. Where applicable, small works rosters may make distinctions between contractors based upon different geographic areas served by the contractor. The small works roster or rosters shall consist of all responsible contractors who have requested to be on the list, and where required by law are properly licensed or registered to perform such work in this state. A state agency or local government establishing a small works roster or rosters may require eligible contractors desiring to be placed on a roster or rosters to keep current records of any applicable licenses, certifications, registrations, bonding, insurance, or other appropriate matters on file with the state agency or local government as a condition of being placed on a roster or rosters. At least once a year, the state agency or local government shall publish

in a newspaper of general circulation within the jurisdiction a notice of the existence of the roster or rosters and solicit the names of contractors for such roster or rosters. In addition, responsible contractors shall be added to an appropriate roster or rosters at any time they submit a written request and necessary records. Master contracts may be required to be signed that become effective when a specific award is made using a small works roster.

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- (b) A state agency establishing a small works roster or rosters shall adopt rules implementing this subsection. A local government establishing a small works roster or rosters shall adopt an ordinance or resolution implementing this subsection. Procedures included in rules adopted by the department of general administration implementing this subsection must be included in any rules providing for a small works roster or rosters that is adopted by another state agency, if the authority for that state agency to engage in these activities has been delegated to it by the department of general administration under chapter 43.19 RCW. An interlocal contract or agreement between two or more state agencies or local governments establishing a small works roster or rosters to be used by the parties to the agreement or contract must clearly identify the lead entity that is responsible for implementing the provisions of this subsection.
- (c) Procedures shall be established for securing telephone, written, or electronic quotations from contractors on the appropriate small works roster to assure that a competitive price is established and to award contracts to the lowest responsible bidder, as defined in RCW 39.04.010. Invitations for quotations shall include an estimate of the scope and nature of the work to be performed as well as materials However, detailed plans and equipment to be furnished. specifications need not be included in the invitation. This subsection does not eliminate other requirements for architectural or engineering approvals as to quality and compliance with building codes. Quotations may be invited from all appropriate contractors on the appropriate small works roster. As an alternative, quotations may be invited from at least five contractors on the appropriate small works roster who have indicated the capability of performing the kind of work being contracted, in a manner that will equitably distribute the opportunity among the contractors on the appropriate roster. However, if the estimated cost of the work is from one hundred thousand dollars to two

hundred thousand dollars, a state agency or local government((, other 1 2 than a port district, )) that chooses to solicit bids from less than all the appropriate contractors on the appropriate small works roster must 3 also notify the remaining contractors on the appropriate small works 4 5 roster that quotations on the work are being sought. The government has the sole option of determining whether this notice to the remaining 6 7 contractors is made by: (i) Publishing notice in a legal newspaper in general circulation in the area where the work is to be done; (ii) 8 mailing a notice to these contractors; or (iii) sending a notice to 9 these contractors by facsimile or other electronic means. For purposes 10 of this subsection (2)(c), "equitably distribute" means that a state 11 agency or local government soliciting bids may not favor certain 12 contractors on the appropriate small works roster over other 13 contractors on the appropriate small works roster who perform similar 14 15 services.

- (d) A contract awarded from a small works roster under this section need not be advertised.
- (e) Immediately after an award is made, the bid quotations obtained shall be recorded, open to public inspection, and available by telephone inquiry.
- (3) In lieu of awarding contracts under subsection (2) of this section, a state agency or authorized local government may award a contract for work, construction, alteration, repair, or improvement projects estimated to cost less than thirty-five thousand dollars using the limited public works process provided under this subsection. Public works projects awarded under this subsection are exempt from the other requirements of the small works roster process provided under subsection (2) of this section and are exempt from the requirement that contracts be awarded after advertisement as provided under RCW 39.04.010.

For limited public works projects, a state agency or authorized local government shall solicit electronic or written quotations from a minimum of three contractors from the appropriate small works roster and shall award the contract to the lowest responsible bidder as defined under RCW 39.04.010. After an award is made, the quotations shall be open to public inspection and available by electronic request. A state agency or authorized local government shall attempt to distribute opportunities for limited public works projects equitably

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among contractors willing to perform in the geographic area of the 1 2 work. A state agency or authorized local government shall maintain a list of the contractors contacted and the contracts awarded during the 3 previous twenty-four months under the limited public works process, 4 including the name of the contractor, the contractor's registration 5 number, the amount of the contract, a brief description of the type of 6 7 work performed, and the date the contract was awarded. For limited public works projects, a state agency or authorized local government 8 may waive the payment and performance bond requirements of chapter 9 10 39.08 RCW and the retainage requirements of chapter 60.28 RCW, thereby assuming the liability for the contractor's nonpayment of laborers, 11 12 mechanics, subcontractors, materialpersons, suppliers, and taxes 13 imposed under Title 82 RCW that may be due from the contractor for the 14 limited public works project, however the state agency or authorized local government shall have the right of recovery against the 15 16 contractor for any payments made on the contractor's behalf.

(4) The breaking of any project into units or accomplishing any projects by phases is prohibited if it is done for the purpose of avoiding the maximum dollar amount of a contract that may be let using the small works roster process or limited public works process.

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- (5)(a) A state agency or authorized local government may use the limited public works process of subsection (3) of this section to solicit and award small works roster contracts to small businesses that are registered contractors with gross revenues under one million dollars annually as reported on their federal tax return.
- (b) A state agency or authorized local government may adopt additional procedures to encourage small businesses that are registered contractors with gross revenues under two hundred fifty thousand dollars annually as reported on their federal tax returns to submit quotations or bids on small works roster contracts.
- (6) As used in this section, "state agency" means the department of general administration, the state parks and recreation commission, the department of natural resources, the department of fish and wildlife, the department of transportation, any institution of higher education as defined under RCW 28B.10.016, and any other state agency delegated authority by the department of general administration to engage in construction, building, renovation, remodeling, alteration, improvement, or repair activities.

- Sec. 18. RCW 53.12.270 and 1975 1st ex.s. c 12 s 1 are each amended to read as follows:
- 3 (1) The commission may delegate to the managing official of a port district such administerial powers and duties of the commission as it may deem proper for the efficient and proper management of port district operations. Any such delegation shall be authorized by appropriate resolution of the commission, which resolution must also establish guidelines and procedures for the managing official to follow.
- 10 (2) The commission shall establish, by resolution, policies to
  11 comply with RCW 39.04.280 that set forth the conditions by which
  12 competitive bidding requirements for public works contracts may be
  13 waived.
- NEW SECTION. Sec. 19. Sections 5 through 15 of this act constitute a new chapter in Title 53 RCW.
- NEW SECTION. Sec. 20. If specific funding for the purposes of this act, referencing this act by bill or chapter number, is not provided by June 30, 2008, in the omnibus appropriations act, this act is null and void.

Passed by the House March 8, 2008. Passed by the Senate March 6, 2008. Approved by the Governor March 25, 2008. Filed in Office of Secretary of State March 25, 2008.