COUNTY BIDDING BOOK

Washington State

NEW LEGISLATION: Effective July 28, 2019, <u>ESSB 5418</u> authorizes counties to use unit priced public works contracts, increases small works roster thresholds, and makes other changes to procurement law. We will be updating this publication soon to reflect this new information.

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Revision History

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• The Bidding Process: Updated lowest responsible bidder requirements (ESSHB 1673, effective July 1, 2019).

July 2017

• The Bidding Process: Updated lowest responsible bidder requirements (SSB 5301, effective July 23, 2017).

County Bidding Book

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Acknowledgements

This publication, *County Bidding Book – Washington State*, is a revision of a publication last amended in 2009. It is designed to assist county officials in determining whether competitive bids are required for purchases or when contracting for public works and to provide them with information on bidding procedures. Legal Consultant Bob Meinig prepared this revision with significant assistance from John Carpita, Public Works Consultant. Holly Stewart, our Desktop Publishing Specialist, designed this latest publication.

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Introduction

The purpose of competitive bidding is to provide a fair forum for those interested in bidding on public contracts and to help ensure that public contracts are performed satisfactorily and efficiently at the least cost to the public, while avoiding fraud and favoritism in the awarding of contracts. This publication is intended to familiarize county officials with competitive bidding requirements and procedures with respect to public works projects and public purchases.

Different rules exist for bidding public works; for purchasing materials, supplies, and equipment not used in connection with a public work; and for procuring architectural and engineering services. The first chapter of this publication will help you determine whether you are: (a) dealing with a public works project; (b) purchasing materials, supplies, or equipment unconnected with a public works project; or (c) obtaining a service. State law does not require that counties bid for any services, but it does require an advertising and negotiation process when obtaining architectural and engineering services.²

Different rules also apply based on the size of your county, and whether your county has established a purchasing department. And certain exemptions from competitive bidding exist that are uniformly applicable to counties of all sizes.

¹In 1994, the legislature removed services from the bid requirements for counties.

²Chapter 39.80 RCW sets out the procedures for acquiring architectural and engineering services. See Contracting for Professional Services: Guidelines for Local Governments in Washington State, MRSC, November 2013.

Initial Considerations

First, you need to determine what category the project or purchase falls into: public work; purchase of materials, equipment, and supplies unconnected with a public work; or service. Then, if the category is determined to be one where bidding may be necessary, the cost must be estimated.

"Public Work" or "Ordinary Maintenance"?

Counties in Washington State must use a public bidding process when contracting for public works projects, although they may waive bidding requirements for projects under a certain estimated cost. RCW 39.04.010 defines the term "public work" as follows:

"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. (Emphasis added.)

This statute then goes on to state that "All public works, including maintenance when performed by contract shall comply with chapter 39.12 RCW."³ (Emphasis added.) The state court of appeals has held that "maintenance" in the phrase "maintenance when performed by contract" includes "ordinary maintenance." 4 Consequently, maintenance is "ordinary" only when it is performed by county employees; when maintenance is contracted out, it is not "ordinary" and is subject to public works bidding and prevailing wage requirements.

But what is "ordinary maintenance" that can be performed by county employees? The statutes provide no definition. However, WAC 296-127-010(7)(b)(iii), which defines "ordinary maintenance" in the context of prevailing wages, can be used to craft a definition that distinguishes ordinary maintenance from a public work for bidding purposes:5

[Ordinary maintenance is] defined as work *not performed by* contract and that is performed on a regularly scheduled basis (e.g., daily, weekly, monthly, seasonally, semiannually, but not less frequently than once per year) to service, check or replace items that are not broken; or work not performed by contract



Is an electrical project "ordinary maintenance" or a "public work?"

It depends. If the project entails providing light bulbs, pump bearing lubrication, and other small maintenance items, then the project is probably ordinary maintenance, if performed by county forces. However, if items like pumps and motors are being replaced, this project is a public

Is replacement of a carpet ordinary maintenance?

No. A carpet is neither replaced annually nor is it used to maintain the asset, which in this case would be the subflooring, so it would not fall into the ordinary maintenance

Is tree trimming a public work?

Tree trimming is either maintenance or ordinary maintenance, rather than a service. Although this activity may not take place annually, it is necessary either to prevent branches from falling on wires or to prevent damage to the trees in windstorms. This falls into the category of maintaining the asset. If it is done by contract, it is deemed a public work and thus subject to bidding and prevailing wage requirements. Tree removal or for timber sales are probably not subject to either prevailing may be considered silviculture. Call L&I at (360) 902-5335, as the determination in each case is very fact-specific.

³Chapter 39.12 RCW addresses prevailing wages requirements for public works projects.

⁴City of Spokane v. Department of Labor and Industries, 100 Wn. App. 805, 819-20 (2000).

⁵The court of appeals in *City of Spokane v. Department of Labor and Industries* found this definition to be consistent with the statutory definition of "public work." 100 Wn. App. at 818.

that is regularly scheduled but is required to maintain the asset so that repair does not become necessary. (Emphasis added.)

For example, replacing a deteriorating bridge or roof would amount to a repair, or perhaps new construction, but not ordinary maintenance. Such a project would be considered to be a public work. On the other hand, using county employees to rod or clean a sewer or clean a roof would involve ordinary maintenance under the above definition and, therefore, would not be a public work. Consequently, this expenditure would not be subject to the public works bid statutes. However, if instead of using county employees to perform the work, the county contracts out for the maintenance, the maintenance work would be deemed a public work, both for bidding and for prevailing wage purposes.

Materials, Equipment, or Supplies Not Used in Connection with a Public Work

At first glance, one would think there would be no trouble figuring out what purchases fall into the category of "materials, equipment, or supplies "not used in connection with a public work project or improvement. Stationery, rubber bands, and copy machines come to mind. But, as the following questions show, sometimes the situation is ambiguous.

Services

State law does not require that counties bid for any services, other than for collection agencies and possibly for the official newspaper. An advertising and negotiation process is required under chapter 39.80 <u>RCW</u> when obtaining architectural and engineering services. This process will be discussed later in this publication.

Distinguishing between public works and materials, equipment, or supplies not used in a public work is important, as different bidding requirements apply to each. Distinguishing between services and public works is important, as acquiring services does not require bids, whereas contracting for public works may.

Cost of a Public Works Project or Purchase

Before applying the dollar bidding limits in the following sections, the total cost of each public works project or purchase must be determined. Determining the estimated cost of a project is a crucial first step, since the determination may dictate whether bids must be sought. Making an exact cost estimate would clearly be desirable, but, realistically,



Is the purchase of computer software a purchase of supplies or a purchase of services?

It depends. If the software is "offthe-shelf" (or predominantly so), then it is a purchase of supplies. If the primary or sole cost is for consultant services to customize the program for the county, it is a purchase of services that is not subject to bidding requirements.

Is a new telephone system a public work or an equipment purchase? Again, it depends. If the acquisition installation of cable, conduits, and other devices, it will fall within the definition of the term public work. If, however, the acquisition is merely of hardware, such as telephones, it will be considered the purchase of equipment.

exactness is seldom possible. The person making the estimate should determine the fair and reasonable value of the work to be performed (or the purchase to be made), given the particular conditions that will be faced and the requirements of the proposed project or purchase.

The cost estimate should reflect the amount the county considers fair and reasonable and that it is willing to pay for the work or purchase contemplated. Several approaches can be used to make an estimate. The county can consider the actual cost of performance, considering the current cost of labor, equipment, and materials. Obviously, use of this approach requires the estimator have a good working knowledge of construction methods, equipment, and market conditions. A second approach arrives at an estimate by using historical data. The estimator reviews recently-awarded contracts, making adjustments for the proposed project and the current market conditions. A third approach would be to combine historical bid data with actual cost data.⁶

Cost estimates for public works projects should:

- Include all construction -related work, but not engineering/architectural design fees or inspections;
- Include all phases of the project;
- Include applicable sales and use taxes;
- Not include donated labor, materials, supplies, etc.
- Use estimates based on (unit) bid prices from previous public works contracts, not in-house man-hour and material estimates

A public works project should not be divided into smaller projects or segments to avoid competitive bidding requirements. The Washington Court of Appeals has held that a public work project may not be broken down into phases for the purpose of estimating the cost of a public works project, even though those phases are performed at different intervals of time. Instead, a county, while completing the actual project in phases, must total the cost of all phases of the public work or purchase. If the aggregate cost exceeds the applicable bid limit, the county must bid each phase of the project even though a given phase may cost less than the bid limit.



Must volunteer labor or donated material or equipment be included in the cost estimate for a public works project?

an item for which there will be no charge, because there is no cost to the county.

⁶This discussion draws upon an Internet article titled "Guidelines on Preparing Engineer's Estimate, Bid Reviews and Evaluation," prepared by the Federal Highway Administration of the U. S. Department of Transportation (2004).

⁷National Elec. Contractors Ass'n v. City of Bellevue, 1 Wn. App. 81 (1969).

Inclusion of Retail Sales and Use Tax

Normally, sales tax applies to every sale of tangible personal property (and some services) to all persons, including counties. Thus, for bid limit purposes, the tax must be included when determining the cost of a public work, or when calculating the cost of materials, supplies, and equipment purchased separately from a public work.

However, there are some sales and use tax exemptions for certain public works projects. The exemptions include:

- a. Labor and services rendered for the building, repairing, or improving of any street, place, road, highway, easement, rightof-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle owned by a county that is used primarily for pedestrian or vehicle traffic. (Materials used in constructing these projects are not exempt from the sales and use tax.)
- b. Labor and services for the processing and handling of sand, gravel, and rock taken from county pits and quarries when the material is for publicly-owned road projects.¹⁰

There are no sales and use tax exemptions for any other county purchases.

Practice Tip: When developing the bid documents, it may be useful to group those items that are exempt from the sales and use tax and then, on the line labeled "sales tax," reference that excluded group, making it clear that all other items are subject to the tax.



Does the exemption from the sales and use tax for labor and services on a county road project apply if a private contractor does the work?

Yes. It makes no difference, for the purposes of the exemption, whether the county does the work or has it done by someone else.

⁸The basic definitions of items and transactions subject to the retail sales and use tax appear in RCW 82.04.050.

⁹RCW 82.04.050(10). See also <u>WAC 458-20-171</u>, nicknamed "Rule 171."

¹⁰RCW 82.08.0275 and WAC 458-20-171.

General Bidding Requirements

Public Works Project Bidding Limits

Counties that have not established a purchasing department - RCW 36.32.250:

- 1. RCW 36.32.250 does not require such counties to contract out for public works projects of any size.¹¹
- 2. If a county chooses to enter into a contract for public works, then that contract must be let pursuant to competitive bidding, although the county legislative body may waive the bidding requirements for projects costing less than \$40,000.
- 3. For projects costing less than \$300,000, counties may use a small works roster in lieu of a formal bidding procedure.¹²
- 4. For projects costing less than \$35,000, a "limited public works process" may be used.13

Counties with a population of 400,000 or less that have established a purchasing department - <u>RCW 36.32.240</u>; <u>RCW 36.32.250</u>:

1. Counties that choose to establish a purchasing department¹⁴ must competitively bid all public works projects, 15 except for certain road projects (see page 11-12), although the county leg-

Nevertheless, it appears to be commonly thought that this statute requires that public works projects above the \$40,000 amount must be contracted out.

¹¹In Assoc. General Contractors v. King County, 124 Wn.2d 855, 860 (1994), the state supreme court stated with respect to RCW 36.32.250:

RCW 36.32.250 neither itself purports to be, nor recognizes the existence elsewhere of, a statutory mandate that all public works must be performed by contract. It merely governs the award of contracts, if a municipality chooses to enter into a contract for a public work.

¹²RCW 39.04.155. See pages 37-39 for summary of this process.

¹³RCW 39.04.155. See page 39-40 for summary of this process.

¹⁴See discussion of purchasing departments at pages 9-10.

¹⁵In <u>Associated Gen. Contractors v. King County</u>, 124 Wn.2d 855, 863 (1994), the state supreme court held that a county that had established a purchasing department was required by RCW 36.32.240 to contract out for the performance of all public works; it could not, under that statute, use its own forces for any public works. In response to the Associated Gen. Contractors decision, the 1996 legislature enacted RCW 36.32.235, which allowed a county with a population of one million or more – only King County – with a purchasing department to use its own forces for public works projects, within certain limits. The 2009 legislature expanded that authorization to counties with a population of over 400,000.

- islative body may waive the bidding requirements for projects costing less than \$40,000.16
- 2. Like counties without a purchasing department, these counties may use a small works roster for projects under \$300,000 and a limited public works process for projects under \$35,000.

Counties with a population of 400,000 or more that have established a purchasing department – RCW 36.32.235:

- 1. Counties of this size that establish a purchasing department must competitively bid all public works contracts, with the exception that they may have county employers perform public works projects in any annual or biennial budget period equal to a dollar value not exceeding 10 percent of the public works construction budget, including any amount in a supplemental public works construction budget, over the budget period.
- 2. In addition to this percentage limitation, these counties may not have public employees perform a public works project in excess of \$90,000 for multiple craft or trade projects; \$45,000 for single craft or trade projects; \$250,000 for multiple craft riverine or storm water projects; or \$125,000 for single craft riverine or storm water projects.

Reporting and Notice Requirements

Counties with a population of 400,000 or more that have established a purchasing department must report to the state auditor their total public works construction budget, supplemental public works construction budget, and the total construction costs of public works performed by public employees.¹⁷ Every county that uses its own forces on projects, other than road construction, costing more than \$25,000 must publish

¹⁶The authorization for a county to waive bidding requirements for projects costing less than \$40,000 is found in RCW 36.32.250, and there is nothing expressly connecting that authorization to counties under 400,000 population that have established a purchasing department. However, RCW 36.32.240, which authorizes counties under 400,000 population to establish a purchasing department, contains no procedures for bidding and no authorization to use the small works roster, while RCW 36.32.250, which does not limit itself only to certain counties, does. Because $counties \ under \ 400,\!000 \ population \ that \ have \ established \ a \ purchasing \ department \ must \ have \ some \ procedures \ to$ follow when competitively bidding, MRSC takes the position that the bidding procedures, as well as the waiver authorization, and the authorization to use the small works roster found in RCW 36.32.250 are intended to apply to those counties.

¹⁷RCW 36.32.235(11). Although this statute requires this report to the state auditor of "any county which uses public employees to perform public works projects under RCW 36.32.240(1)," the referenced subsection (RCW 36.32.240(1)) merely authorizes counties to establish a purchasing department, and, as noted in the prior footnote, this statute (specifically subsection (2), not (1)) requires such counties to contract out for the performance of all public works. Thus, the only way to make sense of this reporting requirement is to apply it only to counties with a population of 400,000 or more that establish a purchasing department and are subject to RCW 36.32.235.

a description and the estimated cost of the project in its official newspaper 15 days before beginning the project.¹⁸

When county road construction is performed by county forces, and the estimated cost of the work exceeds \$10,000, the county must publish a description and the estimated cost of the project in the county's official newspaper. At the completion of the construction, a similar brief description and the true and complete cost must be published in the county's official newspaper.¹⁹

WMBE Requirements

According to RCW 36.32.235(13), counties with a population of 400,000 or more that have established a purchasing department must, whenever possible, invite at least one proposal from a minority or woman contractor. In view of the passage of Initiative 200 in 1998, it is not clear that this requirement is enforceable. That initiative, now codified in <u>RCW 49.60.400</u>, states:

The state²⁰ shall not discriminate against, or grant preferential treatment to any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting.

An October 16, 1998 issue paper on Initiative 200 from the Attorney General's office, however, suggests that a court may distinguish such an outreach program, one which merely expands the pool of qualifying participants, from the use of selection goals, which more likely is a form of preferential treatment.

Purchasing Materials, Equipment, or Supplies - RCW 36.32.245

According to RCW 36.32.245, county purchases of materials, equipment, or supplies must be done by a competitive bidding process unless certain exemptions apply. However, a county legislative body may, by order, eliminate the bidding requirement for purchases of materials, equipment, or supplies costing less than \$10,000.

Purchases by Use of Vendor Lists. Purchases by Use of Vendor Lists. Advertisement and formal sealed bidding may be dispensed with for

¹⁸RCW 39.04.020

²⁰The term "state" is defined to include cities, counties, and other political subdivisions. RCW 49.60.400(7).

purchases of materials, equipment, or supplies, valued between \$10,000 and \$50,000, if the county legislative authority authorizes, by resolution, use of the uniform procedure in RCW 39.04.190.21

RCW 39.04.190 provides that a vendor list may be used to secure telephone or written quotations under certain conditions:

- The county must advertise at least twice a year in a newspaper of general circulation that a vendor list (or lists, if counties want to keep different vendor lists for different products) exists and it must solicit names for the list.
- If possible, at least three quotations should be secured to ensure a competitive process, with the contract being awarded to the lowest responsible bidder.²²
- Immediately after the award, all bid quotations that the county secured must be recorded and made open to public inspection. This information must also be available to those who inquire by telephone.
- At least every two months, a county using vendor lists to award contracts valued at more than \$10,000, but not more than \$50,000, must post a list of contracts awarded. The list must contain the name of the vendor, the amount of the contract, a brief description of items purchased, and the date of the award.23

Purchasing Departments. Counties are authorized by statute to establish a purchasing department.²⁴ If established, the purchasing department is required to act on behalf of all county departments to:

- Contract on a competitive basis for all public works;
- Enter into leases of personal property on a competitive basis;
- Purchase all supplies, materials, and equipment on a competitive basis.25



Our county has not received many responses from our advertisement for firms wishing to be on our vendor list. May we contact firms directly?

Yes, a county may directly contact the firms with which it wishes to do business. The county might try advertising in a different or an

Can you add vendors to the list at any time, including at the time of quotes?

Yes, if the purpose is to increase

What happens if you only have one vendor for a given widget?

Find at least two more and add them the list! Don't be afraid to use the yellow pages (paper or electronic). Or use a sole source procedure under RCW 39.04.280 if the purchase source is truly unique.

What happens if you only get one quote out of the five RFQs you sent out?

Find out why, if possible. If vendors the time (and don't open the existing quote). If there are no other quotes to be had for love or money, evaluate the single quote to see if it is reasonable, and, if so,

²¹RCW 36.32.245(3). For sample small works roster resolutions, see the MRSC Rosters website under the "Public Agencies" tab.

²²For a discussion of how to determine "the lowest responsible bidder," see pages 30-32.

²³RCW 39.04.200.

²⁴RCW 36.32.240(1).

²⁵RCW 36.32.240(2).

The purchasing department is not required to make purchases for the county hospital, or purchases paid from the county road fund or the equipment rental and revolving fund.

Purchasing Agents. If a county establishes a purchasing department, the county legislative body must appoint a county purchasing agent to head that department. The person appointed as purchasing agent must have previous experience as a purchasing agent and must be bonded. The county legislative body may establish a central storeroom or storerooms from which supplies and equipment may be issued "upon proper requisition by department heads." The purchasing agent is responsible for maintaining perpetual inventories of supplies and equipment and must make at least yearly reports to the board regarding that inventory.²⁶

Road Maintenance Materials. When calling for competitive bids for the purchase of road maintenance materials, a county may award contracts "to multiple bidders for the same commodity when the bid specifications provide for the factor of haul distance to be included in the determination of which vendor is truly the lowest price to the county." The county may re-advertise for additional bidders and vendors "if it deems it necessary in the public interest."27

Purchasing Preference for Products Made from Recycled Materials or Products That May Be Recycled or Reused. To increase the purchase of recycled products, counties are allowed to establish a purchasing preference for products made from recycled materials or products that may be recycled or reused.²⁸ If a county wishes to give a preference to recycled products, the bid solicitation must give a notice of that intent.29

Acquisition of Electronic Data Processing and Telecommunications Systems. RCW 39.04.270 authorizes local governments to use a "competitive negotiation" process as an alternative to the competitive bid process, if required, when purchasing (and installing) electronic data processing or telecommunications equipment, software, or services. This alternative process requires, at a minimum, the following steps:

A request for proposals (RFP) must be prepared and submitted to an adequate number of qualified sources, as determined by

²⁶RCW 36.32.260

²⁷RCW 36.32.256.

²⁸RCW 36.32.245(5); RCW 43.19A.005.

²⁹RCW 43.19A.080 describes what that notice must contain.

the county, to permit reasonable competition consistent with the requirements of the procurement.

- Notice of the RFP must be published in a newspaper of general circulation in the county at least 13 days before the last date on which proposals will be received.
- The RFP must identify significant evaluation factors, including price, and their relative importance.
- The county must provide reasonable procedures for technical evaluation of the proposals received, identification of qualified sources, and selection for awarding the contract.
- The award must be made to the qualified bidder whose proposal is "most advantageous" to the county, with price and other factors considered. The county may reject any and all proposals for good cause and request new proposals.

Leases of Personal Property. A county may lease personal property by following the procedures for purchases or the optional process in RCW 39.04.190, which can be employed for leases of property valued between \$2,500 and \$25,000.30 If a county chooses to lease personal property from the lowest responsible bidder or if a county establishes a purchasing department under RCW 36.32.240, those procedures in <u>RCW 36.32.245</u> must be employed.

Leases of Real Property. There are no competitive bidding requirements for leases of real property.

County Road Construction – Chapter 36.77 RCW

Counties may use their own employees ("county forces") to construct or improve county roads if the costs annually total no more than the limits set by statute. The limits are expressed in terms of "road construction project costs," which are defined in RCW 36.77.065(1)(b). The limits on the use of county forces were amended by the 2009 legislature and are set out in RCW 36.77.065, and they vary based on the size of the county.

For counties with a population of 400,000 or more: \$3,250,000, plus that amount multiplied by the previous year's county motor vehicle fuel tax distribution factor, as provided for in RCW 46.68.124(5).

³⁰RCW 36.32.253.

- For counties with a population of 150,000 or more, but less than 400,000: \$1,750,000, plus that amount multiplied by the previous year's county motor vehicle fuel tax distribution factor, as provided for in <u>RCW 46.68.124(5)</u>.
- For counties with a population of 30,000 or more, but less than 150,000: \$1,150,000 (increased to \$1,250,000, effective 1/12/2012), plus that amount multiplied by the previous year's county motor vehicle fuel tax distribution factor, as provided for in RCW 46.68.124(5).
- For counties with a population of less than 30,000: \$700,000 (increased to \$800,000, effective 1/12/2012), plus that amount multiplied by the previous year's county motor vehicle fuel tax distribution factor, as provided for in RCW 46.68.124(5).

Whenever the construction work is the installation of electrical traffic control devices, highway illumination equipment, electrical equipment, wires, or equipment to convey electrical current, in an amount exceeding \$10,000 for any one project including labor, equipment, and materials, such work must be performed by contract.³¹

When county road construction is performed by county forces and the estimated cost of the work exceeds \$10,000, the county must publish in the county's official newspaper the estimated cost of the project and a description of the work to be done. At the completion of the construction, a similar brief description and the true and complete cost must be published again in the county's official newspaper. Failure to make this required publication subjects each county commissioner to a fine of \$100, for which he or she is individually liable.³²

In lieu of the procedures in <u>chapter 35.77 RCW</u> for awarding contracts for road projects, a county may use the small works roster process under RCW 39.04.155.33

Architects and Engineers

Although there is no requirement that counties bid competitively for services³⁴ (except for the official newspaper, as noted on page 15; and

³¹RCW 36.77.065(7).

³²RCW 36.77.070.

³³RCW 36.77.075.

³⁴In 1993, the state legislature deleted the word "services" from the general public bidding statute for counties. See RCW 36.32.245(1), as amended by chapter 198, section 7, Laws of 1993.

collection agencies, as noted on page 15), counties must follow the procedures set out in chapter 39.80 RCW when contracting for architectural and engineering services.

<u>Chapter 39.80 RCW</u> requires that a county publish its need for architectural or engineering services in advance, concisely stating the general scope and nature of the project for which services are required.³⁵ The notice must also provide the address of a county representative who can provide additional details. Compliance with this requirement may be accomplished by either: (1) publishing an announcement each time the service is needed, or (2) "announcing generally to the public" the county's projected requirements for any category or type of engineering or architectural service.³⁶

Counties must encourage architectural and engineering firms to submit annually a statement of qualifications and performance data. With respect to specific projects, county officials are to evaluate such statements of qualifications and performance data on file along with those submitted by other firms regarding that project. Following the evaluation, the county invites one or more firms to meet with county officials to discuss the project and the relative benefits of various methods of providing the desired services. The county then selects from among those firms the one "most highly qualified" to provide the required services.³⁷ County procedures and guidelines are to include a plan to ensure that women and minority (WMBE) firms have the maximum opportunity to compete for the contract. The level of WMBE firm participation should be consistent with their availability within the relevant professional community.³⁸ Counties are not to consider cost when determining which firm is the most highly qualified.³⁹

After choosing the most qualified firm, the county then negotiates with that firm for a contract at a price the county determines is fair and reasonable, considering the estimated value of the services to be rendered, as well as the scope and complexity of the project. 40 If a satisfactory contract cannot be negotiated, the county formally terminates the negotiations with that firm and attempts to negotiate a contract with the next most qualified firm. 41 The process continues until an agreement is reached or the search is terminated.

³⁵RCW 39.80.030

³⁷RCW 39.80.040.

³⁸But see discussion on page 8.

³⁹See AGO 1988 No. 4.

⁴⁰RCW 39.80.050(1).

⁴¹RCW 39.80.050(2).

A county or other public agency may not contract directly with another agency for architectural and engineering services without first complying with the procurement procedures in chapter 39.80 RCW, unless the legislature has provided specific authorization to do so. AGO 2011 No. 2.

In emergency situations, the process outlined above for procuring architectural or engineering services may be dispensed with upon a finding by the county that an emergency requires the immediate execution of the work involved.42

Legislation was approved in 2015 allowing two or more public agencies to contract for joint utilization of architectural and engineering services. 43 The agency that contracts for the services must follow the statutory requirements and if the services to be provided by any other agency must relate to and be within the services of the firm that is selected. An agreement must be executed for the work detailed in the agreement and entered into prior to the procurement process.

Special provision is made in state law for contracting for building engineering systems. 44 A county may contract for the design, fabrication, and installation of building engineering systems by either: (1) using a competitive bidding process or a request for proposals, with those who bid providing final specifications and a bid price for the work; or (2) using a competitive bidding process in which bidders provide final specifications for the work as part of a larger project. In either instance, the final specifications must be approved by "an appropriate design, engineering, and/or public regulatory body." If these procedures are followed, the requirements of chapter 39.80 RCW, relating to architectural and engineering services, do not apply.

Public Defender Services

There is no required procedure for contracting for public defender services.45

those systems where contracts for the systems customarily have been awarded with a requirement that the contractor provide final approved specifications, including fire alarm systems, building sprinkler systems, pneumatic tube systems, extensions of heating, ventilation, or air conditioning control systems, chlorination and chemical feed systems, emergency generator systems, building signage systems, pile foundations, and curtain wall systems.



Must the county hire an architectural or engineering firm for the entire year?

No. A county can hire one firm for the entire year, but it can also hire on a project-by-project basis, as long as it follows the procedures in <u>chapter 39.80 RCW</u> for each

May a county ask engineering firms for their hourly rates in its requests for qualifications?

No. The most qualified firm must county discuss the cost of services. If during the negotiations, the county finds the price is too high, it can then go on to negotiate with the next most qualified firm.

Must a county follow the process in chapter 39.80 RCW when procuring the services of surveyors and landscape architects?

Yes. In RCW 39.80.020(5), "architectural and engineering "professional services. . . within the scope of the general definition of professional practice in chapters <u>18.08</u> [architects], <u>18.43</u> [engineers and land surveyors], or 18.96 RCW [landscape architects.]" (Material AGO 1998 No. 14.

⁴²RCW 39.80.060

⁴³Chapter 232, Laws of 2015, amending RCW 39.34.030(6).

⁴⁴RCW 39.04.290. The term "building engineering systems" is defined by the statute to mean:

⁴⁵RCW 36.32.245(6). However, a county must adopt standards for delivery of public defense services.

Printing, Binding, and Stationery Work

All county printing, binding, and stationery work must be performed within the state. All requests for proposals and advertisements for competitive bidding must notify prospective bidders of the in-state requirement. 46 Certain exceptions to this requirement are set out in RCW 43.19.748.

Collection Contracts

Public Debts. RCW 19.16.500 authorizes counties to enter into written contracts with licensed collection agencies for the purpose of collecting public debts owed by any person, including any restitution being collected on behalf of a crime victim.

Superior court clerks may contract separately with collection agencies licensed under chapter 19.16 RCW for the collection of unpaid court-ordered legal financial obligations, or they may use county collection services. Superior court contracts with collection agencies must be awarded by competitive bidding.⁴⁷ Factors that a court clerk is to consider in awarding a collection contract include but are not limited to: (1) a collection agency's history and reputation in the community; and (2) the agency's access to a local database that may increase the efficiency of its collections. Contracts may specify the scope of work, compensation for services, and other charges deemed appropriate.

Official County Newspaper

A county legislative authority must select an official county newspaper at its first meeting in April of each year. 48 If two or more legal newspapers are qualified, then the contract must be competitively bid following the process outlined in RCW 36.72.075.

Performance-Based Contracts for Energy Equipment

Counties may enter into performance-based contracts when contracting for certain energy equipment and services without following

RCW 10.101.030 identifies what those standards must include. In June of 2012, the state supremme court adopted New Standards for Indigent Defense, which became effective on October 1, 2012, with the exception of caseload limits, which take effect on January 1, 2015.

⁴⁶RCW 43.19.748.

⁴⁷RCW 36.18.190.

⁴⁸RCW 36.72.075

a competitive bidding process. A "performance-based contract" is a contract that provides for payment only if there are cost savings, if the payment obligation for each contract year is either set as a percentage of the annual cost savings attributable under the contract or guaranteed by the other persons or entities to be less than the annual cost savings attributable under the contract. 49 "Energy equipment and services" is defined to mean equipment and services that are expected, upon installation, to reduce the energy use or energy cost of an existing building or facility.⁵⁰ Instead of a competitive bidding process, the county announces its requirements and seeks proposals to meet those requirements. Using evaluation criteria it has established, the county then negotiates with the person or firm that has submitted the "best proposal" according to the criteria.⁵¹ If the county is unable to develop a satisfactory contract with that person or firm, it may select the next best firm and negotiate with it until a contract can be agreed to or the selection process is terminated.⁵²

Bidding Laws and Projects Done by Private Parties

Counties sometimes get involved in projects that involve a private party, maybe a developer or an insurance company. A developer, for example, may construct some improvements and dedicate them to the county. Or, a county may undertake some work jointly with a developer. Counties should use the following guidelines for determining whether bid laws apply. If the project is done completely by the developer and then donated to the county, it is not a public works project and the bid laws do not apply. This is because the developer is not acting as an agent of the county and the project involves no county funds. However, as a general rule, if a project involves any county money, then the entire project is considered a public works project and is subject to the bid laws.



If an insurance company is going to spend \$200,000 to repair damage to the county courthouse, must the bid laws be followed?

Probably. There is no statute, case law, attorney general opinion, or administrative rule that discusses bid laws and insurance companies. But, there is a rule that discusses prevailing wages and work done by insurance companies. In defining the term "public work," as it applies in chapter 39.12 RCW (the prevailing wage chapter), WAC 296-127-010(7)(a) states, in

The term "public work" shall

(i) All work, construction, alteration, enlargement, improvement, repair, and/or demolition . . . that is executed at the cost of the state of Washington or of any municipality. The source of the funding shall not determine the applicability of the statute, and may include . . . such sources as those payments made through contracts with insurance companies on behalf of the insured

A Department of Labor and Industries memorandum (from Suzanne L. Mayer, Rules Officer, to Prevailing Wage File, p. 1), written at the time the above rule was amended, explains the rule change:

This subsection also provides that payments made by an insurance company as agent for, or on behalf of, a public agency are to be treated comparably to payments made directly by a public agency.

If insurance companies, in funding repairs, are considered to be agents of the county for prevailing wage purposes, they probably would also be considered agents for bid law purposes, and compliance with the bidding statutes would be required.

⁴⁹RCW 39.35A.020(4).

⁵⁰RCW 39.35A.020(1).

⁵¹ RCW 39.35A.030(2).

⁵²RCW 39.35A.030(2).

Exceptions to the Bidding Laws

State law provides uniform exemptions to the previously-discussed bidding requirements. RCW 39.04.280(1) provides that competitive bidding requirements may be waived for:

- Purchases that are clearly and legitimately limited to a single source of supply;
- Purchases in the event of an emergency;
- Purchases involving special facilities or market conditions;
- Purchases of insurance or bonds; and
- Public works in the event of an emergency

In addition, RCW 39.30.045 authorizes purchases at auctions, and RCW 70.95A.090 offers an exception for the construction or improvement of pollution control facilities. These exceptions will be discussed in greater detail below. Also discussed below is "brand name bidding," which is not really a bidding exception but which relates to some of the exceptions referenced above.

If a county chooses to use one of the exceptions in RCW 39.04.280(1) for a purchase, other than in the event of an emergency, the county legislative authority must either: (1) pass a resolution, stating the factual basis for the waiver; or (2) apply a previously-adopted written policy. If the county legislative authority chooses the latter, immediately after the award of any contract, the contract and the factual basis for the waiver must be recorded and open to public inspection.⁵³

Many of the projects or purchases that a county might consider to fall within exceptions to bidding law are in the "gray" area of the law. If there is any doubt, your county should check with its regional office of the state auditor.

Single Source of Supply

Counties need not go out for bids when the desired product is subject to a natural monopoly and advertising for bids would result in only one bid. In Washington Fruit & Produce Co. v. City of Yakima, 3 Wn.2d 152 (1940), the state supreme court held that the city did not need to go

53RCW 39.04.280(2)(a).

If a developer puts in water and sewer lines at her expense and then dedicates them to the county, must he/she call for bids?

No. Assuming that there is no county money in this project and it is being funded entirely by the developer, it is not a public works project and competitive bidding requirements do not apply. The fact that the improvements must be built to county specifications does not change the answer. Even if a latecomer agreement is used, the bid laws do not need to be followed.

If a county leases a yet-to-be constructed facility from a private party, must that private party pay prevailing wages for the construction of the facility?

Maybe. If the facility is being constructed by the private party through a contract with the county, under which the county will rent, lease, or purchase the facility after it is completed, and the county's use will be of at least 50 percent of the facility, then prevailing wages must be paid. See RCW 39.04.260. This would not, however, be considered a public works project that must be bid out.

out for bids when the desired product is subject to a natural monopoly and advertising for bids would result in only one bid. In that case, the city of Yakima awarded a contract to a private utility company for the maintenance of overhead electrical street lighting without calling for bids. The resolution adopted by the commissioners recited the fact that the utility company had provided Yakima with electrical service for many years and that it was the only entity then capable of providing the city with that service. Since advertising for bids in such a situation would have been futile, because it would have produced only one bid, the court held that the city did not violate the bidding requirements of its charter by not calling for bids.

RCW 39.04.280(1)(a) explicitly authorizes the practice of purchasing from a single source. To avoid the bidding process and purchase from a single source under this statute, the county legislative authority must either apply a previously-adopted written policy or pass a resolution that states "the purchase is clearly and legitimately limited to a single source or supply." If the county legislative authority waives the bid requirement through application of a written policy, it must, immediately following the award of the contract, set out the factual basis for the waiver.

One commentator has noted that the State Auditor's Office will probably notice if your county makes too much use of sole source purchasing. He gives some guidelines for its use.⁵⁴ It is not a sole source situation if there is a way to draft specifications where more than one respondent will reply. If, however,

- (a) the county has conducted a screening process whereby it can justify purchase of a specific product;
- (b) it can draft legitimate specifications to which only one vendor can successfully respond;
- (c) the product is available only through one manufacturer (or distributor, and the manufacturer so certifies); and
- (d) the vendor certifies that the county is getting the lowest price it offers anyone, it probably qualifies as a sole source purchase.

Possible sole source purchase rationales:

⁵⁴Richard N. Little, Jr., "Selected Problem Areas in Public Bidding," Legal Notes, Information Bulletin No. 488 (Municipal Research and Services Center), October 1994, p. 6-5.

- Licenses, copyrighted, or patented product or service that no other vendor provides.
- Existing county equipment, inventory, custom-built information system, custom-built data inventory system, or similar product or program.
- Compatibility with existing goods, equipment, or services and no reasonable alternatives or substitutes exist.

Sole source examples:

- Installation of water system security equipment.
- Proprietary, customized software.
- Maintenance/repair of radio equipment and repeater site.
- Stun guns (tasers), where certification is needed on a given brand.

Special Market Conditions

RCW 39.04.280(1)(b) also provides a "special facilities or market conditions" exception from the bidding requirements for purchases of materials, supplies, or equipment.

What are special market conditions? No definition is given in RCW 39.04.280. Some have suggested that, if supplies or used equipment are offered at a very favorable price and will be sold before a county has a chance to complete the bidding process, that constitutes a special market condition. However, because there are no court decisions or attorney general opinions on this subject, if a county wishes to invoke "special market conditions" to waive the bidding requirements, the county prosecutor and regional auditor should be consulted.

Brand Name Bidding

Although the issue of specifying a brand name in a bid does not really fit in a section titled "Exceptions," any discussion of brand names overlaps with sole source purchasing which, in turn, overlaps with monopolies and shades into "special market conditions." Counties may advertise for bids by specifying a particular brand name item as long as the responsible officials have determined that a certain brand name is of higher quality or is better suited to the county's needs. In <u>Smith</u>

v. City of Seattle, 192 Wash. 64 (1937), the city advertised for bids for incandescent lamps, specifying a particular brand. In a suit brought by a maker of a similar lamp, the court stated that as long as the public officials involved exercised their discretion in determining that a particular brand of lamps was more desirable, the city's procedure was proper in the absence of abuse of discretion or fraud. In this case, the fact that the city had used the specified lamps previously and they had performed satisfactorily provided a rational basis for city authorities to limit the bid advertisement to that specified brand of lamps, and the court found no abuse of discretion. There is no requirement that bid specifications naming a particular brand also include a phrase such as "or an equal brand."55

Emergencies

The waiver of competitive bidding requirements in the event of an emergency applies both to purchases and to public works projects. The term "emergency" is defined by RCW 39.04.280(3) to mean unforeseen circumstances beyond the control of the county that either: "(a) Present a real, immediate threat to the proper performance of essential functions; or (b) will likely result in material loss or damage to property, bodily injury, or loss of life if immediate action is not taken."

In an emergency situation, the person designated by the county legislative authority to act on its behalf in the event of an emergency may declare that an emergency situation exists, waive competitive bidding requirements, and award all necessary contracts on behalf of the county to address the emergency. If a contract is awarded without competitive bidding due to an emergency, the county legislative authority or its designee must make written findings of the existence of an emergency and enter them "of record" no later than two weeks following the contract's award.56

But, what if the county legislative authority has not designated anybody to act to waive competitive bidding requirements in the event of an emergency? If there is time to act, the county legislative authority should meet and designate somebody. Or, if there is not time to act, the official in charge of making purchases or of contracting for public works should probably make the waiver decision. If the emergency is of a severity to invoke the county's emergency management plan adopted under RCW 38.52.070(1), that plan should be followed.

May we advertise for a particular model of a Chevrolet truck?

Maybe, but you must document very carefully why this particular model meets your county's needs better than other models. If, for example, you say that you want a particular Chevrolet truck because the rest of your fleet of trucks are Chevrolets and you will be able to exchange parts, and if it then turns out that the models are different enough that many parts are not interchangeable, you could get an audit finding. However, if you get bids from a number of different Chevrolet dealers, the state auditor may be satisfied. Ask your regional auditor first.

May a county specify "American-made" in bid specifications?

A county could probably draft specifications that would make it difficult for foreign goods to qualify. However, restricting a bid be hard to justify. This type of bid restriction does not relate to any practical justification as a brand name restriction might.

In addition, from a practical standpoint, this restriction may be difficult to measure and enforce. Many products produced by American firms (automobiles, for example) have an undetermined amount of foreign content. And, many products produced by foreign firms are made, at least partially, in factories in the United States.

⁵⁵AGO 61-62 No. 24 ("A school district calling for bids prior to letting a contract can specify an item by brand name or name of manufacturer without an additional clause inviting bids on similar items of equal quality and serviceability if the public officials have not drafted the specifications arbitrarily and capriciously and are acting in good faith.")

⁵⁶RCW 39.04.280(2)(b).

Another statute, <u>RCW 38.52.070(2)</u>, authorizes political subdivisions in which major disasters occur (as defined in RCW 38.52.020 and RCW 38.52.010(6)) to forego statutory competitive bidding requirements. Checking with the state auditor's office before declaring an emergency is also recommended.

Auctions

Sometimes a county will find exactly what it needs for a favorable price at an auction. Obviously, seeking bids would be impossible in an auction setting. RCW 39.30.045 authorizes a county to acquire supplies, materials, and equipment through an auction conducted by the federal government, a state agency, a municipality or other government agency, or any private party, without bids, if the items to be purchased can be obtained at a competitive price.

Neighborhood "Self-Help" Projects

Under RCW 35.21.278, counties may contract with certain groups to do neighborhood improvement or environmental stewardship projects without regard to the competitive bidding laws. These groups include chambers of commerce, service organizations, community, youth, or athletic associations, or other similar associations located in and providing service to the immediate neighborhood. The contracting association may make park and recreation improvements, install equipment and artwork, and provide maintenance services while being reimbursed by the county for its expenses. The consideration received by the county (the improvements, artwork, etc.) must be at least equal to three times the county's payment to the association. Payments for all contracts made to neighborhood associations in any year may not exceed \$25,000, or two dollars per county resident, whichever is greater.⁵⁷

Pollution Control and Solid Waste Handling Facilities

RCW 36.32.265 provides that the competitive bidding requirements for purchases and public works projects do not apply if a county contracts under the procedures in <u>RCW 70.150.040</u> for constructing or developing water pollution control facilities or for providing water pollution control services under RCW 70.150.040, or under the procedures in RCW 36.58.090 for constructing or developing solid waste handling facilities or for providing solid waste handling services.



May the county purchase equipment off of eBay?

Yes, this would seem to fit within the statutory authorization to purchase through an auction conducted by a private party.

⁵⁷RCW 35.21.278.

RCW 70.150.040 establishes a competitive negotiation procedure for counties to contract with service providers for the design, financing, construction, ownership, operation, and/or maintenance of water pollution control facilities. That procedure also provides for Department of Ecology review and comment before any such agreement is entered into by a county.

RCW 36.58.090 offers an alternative, competitive negotiation procedure, involving either requests for proposals or requests for qualifications, for contracting "with one or more vendors for one or more of the design, construction, or operation of, or other service related to, the solid waste handling systems, plants, sites, or other facilities." However, this process is available to construct a publicly-owned facility only when the facility is either: (1) privately-operated under a contract of at least five years' duration; or (2) "an integral part of a solid waste processing facility located on the same site."



May our county use the bid law exception in chapter 70.95A RCW to construct an aerator system to reduce the formation of algae in a county lake?

This project appears to fall within the intent of this chapter. The Department of Ecology has in the past accepted an aeration project as eligible under RCW 70.95A.100 and has provided a loan to allow a county to construct this project without going out for bids.

May a county use the bid law exception in chapter 70.95A **RCW** to purchase water filtration equipment for a swimming pool?

The definition section in RCW 70.95A.020 is very broad, but probably not enough to include of this statutory provision was major pollution control devices to help reduce or eliminate water, air, and other resource pollution. This purchase does not appear to fall within that intent.

Purchasing from Other Governments and on Other Governments' Contracts

Federal Government

Counties may purchase equipment, supplies, materials, and other property from or through the federal government, without advertising, giving notice, or inviting bids. 58 Counties may do so "notwithstanding any law or charter provision to the contrary."59 An ordinance or resolution must be passed before any particular purchase is made from the federal government or through a federal government contract.⁶⁰

A county legislative body may also, by resolution or order, designate a county officer or employee to act on the county's behalf and enter a bid at any sale of federal equipment, supplies, material, or other property, personal or real. The resolution can authorize the designee, in connection with the bidding, to make a down payment or payment in full.⁶¹

Intergovernmental Purchases and Bidding

In General

Counties may sell, transfer, exchange, lease, or otherwise dispose of any real or personal property or property rights to another government entity without regard to bid laws. RCW 39.33.010 authorizes such transactions "on such terms and conditions as may be mutually agreed upon by the proper authorities." However, because of the requirements of RCW 43.09.210, intergovernmental transactions authorized by RCW 39.33.010 should be based on the "full value" of the property, although "full value" has a flexible meaning depending on the circumstances of the transfer.⁶²

RCW 39.34.080, a section of the Interlocal Cooperation Act, authorizes one public agency to contract with another public agency to perform any function which each agency is authorized by law to perform. Under this statute, a county may act as agent or contractor for one or more public entities.

⁵⁸RCW 39.32.070-.090.

⁵⁹RCW 39.32.090. See also RCW 39.32.080

⁶⁰RCW 39.32.090.

⁶¹ *Id*.

⁶²AGO 1997 No. 5

"Piggybacking"

RCW 39.34.030, another section of the Interlocal Cooperation Act, authorizes cooperative action, including joint purchases by different governmental entities. The 2004 legislature clarified what is procedurally required when one public agency purchases or contracts through a bid awarded by another public agency:

With respect to one or more public agencies purchasing or otherwise contracting through a bid, proposal, or contract awarded by another public agency or by a group of public agencies, any statutory obligation to provide notice for bids or proposals that applies to the public agencies involved is satisfied if the public agency or group of public agencies that awarded the bid, proposal, or contract complied with its own statutory requirements and either (I) posted the bid or solicitation notice on a web site established and maintained by a public agency, purchasing cooperative, or similar service provider, for purposes of posting public notice of bid or proposal solicitations, or (ii) provided an access link on the state's web portal to the notice.63

Counties may also use the authority granted in RCW 39.34.030 to make purchases through state contracts.⁶⁴ As of June 30, 2013, a county may do so by signing a Master Contracts Usage Agreement (MCUA) with the Department of Enterprise Services. A Department of Enterprise Services' webpage⁶⁵ provides information and instructions for entering into an MCUA with the state and for making purchases with the state contract; it explains:

The Master Contracts Usage Agreement (MCUA) is a onetime agreement necessary to meet statutory requirements allowing qualifying organizations to use Washington State master contracts. Cooperative purchasing through state contracts provides organizations that have agreed to terms and conditions the opportunity to save millions of dollars annually by pooling resources to leverage the market through volume

⁶³RCW 39.34.030(5)(b)

⁶⁴See also RCW 39.26.050(1):

In addition to the powers and duties provided in chapter 43.19 RCW, the department [of Enterprise Services] shall make available goods and services to support state agencies, and may enter into agreements with any other local or federal governmental agency or entity or a public benefit nonprofit organization, in compliance with RCW 39.34.055, and any tribes located in the state, to furnish such products and services as deemed appropriate by both parties.

⁶⁵http://www.des.wa.gov/services/ContractingPurchasing/Purchasing/Pages/ MasterContractsUsageAgreement.aspx

discounts. Authorized organizations are provided access to more than 700 contracts for goods and services to meet all the business needs of their organization at no cost.

City Street Projects

RCW 47.24.050 and RCW 35.77.020 provide authority for counties to enter into agreements with cities located within their boundaries for the maintenance, repair, or construction of any or all of the cities' streets or bridges. No bidding requirements apply to such projects. Counties may expend funds from the county road fund for this purpose. 66 However, <u>RCW 35.77.030</u> qualifies this authority to do work on city streets by requiring that all "construction work" performed by a county on city streets pursuant to RCW 35.77.020 through 35.77.040 that exceeds \$10,000 must be done by contract after competitive bidding unless "it appears that bids are unobtainable or that the lowest bid exceeds the amount for which such construction can be done by means other than contract." Since RCW 35.77.020 authorizes counties to do "construction, repair, and maintenance" on city streets, it appears that the bidding requirement in <u>RCW 35.77.030</u> for "construction work" in excess of \$10,000 means that bidding requirement does not apply to repair or maintenance of city streets.

RCW 36.75.200 authorizes a county to use its funds for repairing, maintaining, or constructing any bridges within a city if the bridge is essential to continuation of the county road system.



Must the contract off of which the county piggybacks indicate that it would be available for use by other public entities?

Although a 2003 attorney general memorandum dated April 1, 2003 from Brian Buchholz, Assistant Pennington, State Auditor's Office Manager, indicated that public agencies may avail themselves of purchase contracts entered into by other public agencies if, among other things, the original contract was awarded with terms indicating that it would be available for use by other public agencies, compliance with the 2004 amendment to RCW 39.34.030 necessary for a valid piggybacking

Must both agencies in a purchasing interlocal agreementpiggybacking arrangement have the same purchasing (bid) limits?

Some larger agencies do not have statutory bid limits and may to competitively bid purchases as do smaller agencies, No. RCW 39.34.030(5)(b) recognizes that public agencies have varying bidding requirements where it provides that MRSC feels that the language in <u>RCW 39.34.030(5)</u> (b) that says "...any statutory obligation to provide notice for bids or proposals that applies is satisfied if the public agency or group of public agencies that awarded the bid, proposal, or contract complied with its own statutory requirements. " (Emphasis added.) covers this instance as well.

⁶⁶RCW 35.77.030.

The Bidding Process

If a county determines that it must go out for bids, it must follow certain procedures. It must advertise and give proper notice. After bids are opened, the lowest responsible bidder must be identified. The county then contracts with that firm. Each of these steps will be discussed below, along with questions concerning irregularities in the bidding process.

Advertising for Bids

Purchases. RCW 36.32.245 sets out advertising requirements for the purchase of materials, equipment, or supplies in all counties.⁶⁷ An advertisement must be published in the county's official newspaper at least 13 days prior to the final date for receiving bids and must state:

- the time and place where bids will be opened;
- the time after which bids will not be received;
- the materials, equipment, supplies, or services to be purchased; and
- that the specifications may be seen at the office of the clerk of the county legislative authority.

Purchases between \$10,000 and \$50,000. Advertisement and formal sealed bidding are not required for purchases estimated to cost between \$10,000 and \$50,000 if the uniform process for vendors outlined in RCW 39.04.190 is followed. 68 This statute provides that a vendor list may be used to secure telephone or written quotations, or both, under certain conditions, as follows:

- Counties must advertise at least twice a year in a newspaper of general circulation that vendor lists exist and must solicit names for the lists.
- Counties must establish procedures for securing written or telephone quotations or both from, if possible, at least three

⁶⁷RCW 36.32.245 provides that these requirements do not apply to "performance-based contracts, as defined in RCW 39.35A.020(4), that are negotiated under chapter 39.35A RCW; or contracts and purchases for the printing of election ballots, voting machine labels, and all other election material containing the names of candidates and ballot titles."

⁶⁸RCW 36.32.245(3).

different vendors, with the contract being awarded to the lowest responsible bidder.⁶⁹

- Immediately after the award, all bid quotations received must be recorded and made open to public inspection. This information must also be available to those who inquire by telephone.
- At least every two months, a county using vendor lists to award contracts valued at more than \$10,000, but not more than \$50,000, must post a list of contracts awarded. The list must contain the name of the vendor, the amount of the contract, a brief description of items purchased, and the date of the award.70

Under \$10,000. For purchases of less than \$10,000, advertisement and formal sealed bidding may be dispensed with upon order of the county legislative authority.

Public Works. RCW 36.32.235 sets out the advertising requirements for the p ublic works bidding process in counties of 400,000 population or more that have a purchasing department, and RCW 36.32.250 sets out those same requirements for all other counties. (The special statutes that govern advertising for small works rosters and the limited public works process are discussed on pages 37-40.) Advertisements for bids should contain definite specifications and procedures for bidders to use in estimating their bids. At a minimum, a bid notice for a public work should include the following items:

- the time and place where bids will be opened;
- the time after which bids will not be received;
- the character of the work to be done;
- the materials and equipment to be furnished: and
- that specifications for the project may be seen at the office of the clerk of the county legislative authority.

Although not specifically required by the above statutes, we recommend that the advertisement also contain the following:

• A statement that a bid bond must accompany the bid; and

⁶⁹For a discussion of how to determine the "lowest responsible bidder," see pages 30-32. 70RCW 39.04.200.

Statements that the county retains the right to reject any and all bids and to waive minor irregularities in the bidding process.

Advertisements are to be published in the county's official newspaper at least 13 days prior to the last date upon which bids will be received. An advertisement is also to be published in a legal newspaper of general circulation in or as near as possible to that part of the county in which the work is to be done, unless the county's official newspaper covers at least 40 percent of the residences in that part of the county.

For public works projects estimated to cost less than \$300,000, a county may use a small works roster process as provided in RCW 39.04.155, instead of the competitive bidding process.⁷¹

Road Projects. RCW 36.77.020 provides that, if the board of county commissioners determines that the work is to be done by contract, it must advertise the call for bids by publication in the official county paper and also in one trade paper of general circulation in the county, in one issue of each such paper at least once in each week for two consecutive weeks prior to the time set in the call for bids for the opening of bids.

Bid and Performance Bonds

Bid bonds are required on public works to help ensure that a bid has been made in good faith and that the bidder will enter into a contract if his or her bid is accepted. <u>RCW 36.32.250</u> and <u>RCW 36.32.235(5)</u> (applicable to counties of 400,000 population or more with a purchasing department) provide that each bid must be accompanied by a bid proposal deposit in the form of a surety bond, postal money order, cash, cashier's check, or certified check in an amount equal to five percent of the amount of the bid proposed. The statutes also provide that "no bid may be considered for public work unless it is accompanied by a bid deposit." RCW 36.77.030 imposes the same bid deposit requirements on county road projects.

After bids are opened and the contract is awarded to the lowest responsible bidder as required by RCW 36.32.250 and RCW 36.32.235(6), the bid proposal deposits or bid bonds are returned to the unsuccessful bidders. The successful bidder's bid bond or deposit is retained until the bidder enters into a contract with the county and furnishes a contractor's performance bond in the full amount of the contract price.

Must the contract off of which the county piggybacks indicate that it would be available for use by other public entities?

Although a 2003 attorney general memorandum indicated that public agencies may avail themselves of purchase contracts entered into by other public agencies if, among other things, the original contract was awarded with terms indicating that it would be available for use by other public agencies, compliance with the 2004 amendment to RCW 39.34.030 quoted above should now be considered as all that is necessary for a valid piggybacking

Must both agencies in a purchasing interlocal agreementpiggybacking arrangement have the same purchasing (bid) limits?

Some larger agencies do not have statutory bid limits and may not have the same requirement to competitively bid purchases RCW 39.34.030(5)(b) recognizes that public agencies have varying bidding requirements where it provides that MRSC feels that the language in <u>RCW 39.34.030(5)</u> obligation to provide notice for bids or proposals that applies to the public agencies involved or group of public agencies that awarded the bid, proposal, or contract complied with its own

instance as well.

⁷¹RCW 36.32.250; RCW 36.32.235(13).

Once the bid is awarded, the bidder who was awarded the contract has 10 days after notice of the award to enter into the contract and submit the required performance bond, or the bid deposit is forfeited and the contract must be awarded to the next lowest bidder.⁷²

RCW 39.08.010 provides that a county must require a performance bond whenever it enters into a public works contract, to ensure that the job will be completed and that all workers, subcontractors, and suppliers will be paid. 73 This performance bond requirement applies to all public works contracts, whether or not let pursuant to competitive bids.

RCW 39.08.015 subjects counties to claims of "laborers, material men, subcontractors, and mechanics," if county officials fail to obtain the required performance bond. In lieu of a performance bond on all contracts of \$150,000 or less, RCW 39.08.010 allows a county, at the option of the contractor, to retain ten percent of the contract for a period of 30 days after the date of final acceptance. Prevailing wage claims have priority if there are multiple claims on retainage. This statute is intended to help small contractors who may have trouble getting a bond.

The Bid Decision

Deciding whom to award the bid to (if it is awarded) has a number of components. The bids are opened at the place, date, and time set out in the bid advertisement. If the bid is complicated, county staff may summarize the bids before presenting them to the board of commissioners or council. (Note that some counties have adopted policies and procedures that permit staff to award some bids.) The board or council, perhaps again with staff assistance, must determine the lowest responsible bidder. Some bids may involve errors, omissions, or other irregularities. Decisions must be made on how to deal with these irregularities.

A county must award the bid to the lowest responsible bidder or reject all bids. A county may not negotiate with any of the bidders.

The award decision, if made in good faith, will not be subject to interference by the courts, unless it is arbitrary or there is an indication of fraud.74 However, if the board of county commissioners or the county



May we consider a bid submitted by a contractor who does not have a Washington contractor's license?

No. RCW 39.04.350(1) says:

- (1) Before award of a public works following responsibility criteria bidder and qualified to be awarded a public works project. The bidder
- (a) At the time of bid submittal, have a certificate of registration in compliance with chapter 18.27 RCW.;

May the bid opening be delayed?

Yes, but the bidders must all be notified. The county should give all bidders the opportunity to withdraw their bids (the postponement might make this project interfere with another contract) or, if they wish, to withdraw and resubmit the bid (the cost of some equipment might have changed) before the new bid opening date and time. For long delays, the county should probably just return all bids. Contractors who wish to resubmit may do so before the new date and time.

Must the bid opening occur at a meeting of the county legislative body?

No. Bids must be opened in public at the time and place given do not have to be opened at a legislative body meeting and no commissioners or councilmembers need be present at the bid opening.

⁷²RCW 36.32.250 and RCW 36.32.235(7); RCW 36.77.040, for road projects.

⁷³RCW 60.28.011(1)(b) prohibits public agencies, including counties, from withholding retainage on highway or road projects funded in whole or in part by federal transportation funds. Counties must rely in such contracts upon the contractor's bond in the event of claims or unpaid taxes.

⁷⁴See *Chandler v. Otto*, 103 Wn.2d. 268, 275 (1984).

council awards a contract to a bidder other than the lowest bidder, it should include the reasons for its action in the council minutes or otherwise memorialize them.

Determining the Lowest Responsible Bidder

RCW 36.32.235, .245, and .250 require that contracts requiring competitive bidding be awarded to the lowest responsible bidder for a public works project or for the purchase of materials, equipment, or supplies. In determining who the lowest responsible bidder is, a county is given relatively little discretion. The courts will not interfere with an award decision made in good faith, unless it is arbitrary or there is an indication of fraud. However, if a county awards a contract to a bidder other than the lowest bidder, it should include the reasons for its action in the board minutes or otherwise memorialize them.

"Responsible" should not be confused with being "responsive." Responsiveness is determined at the outset of the bid review process. Has the bidder submitted a bid that is consistent with the specifications and call for bids? If the bid is not consistent, it is nonresponsive and should not be considered. A responsive bid, however, may be made by a person or firm that is not responsible; the bidder, for a variety of reasons, may not be able to perform as required.

RCW 39.04.350 contains bidder responsibility criteria that a bidder must meet to be considered a responsible bidder and qualified to be awarded a public works project. Before a county may accept the contractor's bid, the contractor must:

- be a registered contractor at the time of bid submittal (RCW 18.27.020);
- have a current Unified Business Identifier (UBI) number;
- have industrial insurance/workers' comp coverage;
- have an Employment Security Department number;
- have a state excise tax registration number;
- not be disqualified from bidding under RCW 39.06.010 or 39.12.065(3);
- not have any apprenticeship violations, if applicable;
- certify through a sworn statement that they are not a willful violator of labor laws in reference to RCW 49.48.082 (effective July 23, 2017); and

Our county has not received many responses to our advertisement for firms wishing to be on our vendor list. May we contact firms directly to solicit them for our vendor list?

Yes, a county may directly contact the firms with which it wishes to do business. The county might try advertising in a different or an

May a county include a preference for local merchants in its advertisement?

In general, no. <u>RCW 39.30.040</u> does allow counties to take any sales tax that a county will receive from purchasing supplies, materials, and equipment within its boundaries into consideration when determining the lowest responsible bidder. But, in AGO 61-62 No. 41, the Office of the Attorney General concluded that giving local bidders a preference by reducing their bids by some specified percentage amount in determining the lowest responsible bidder. To do so would "be in the nature of an arbitrary classification for the benefit of a particular group particular case."

May a county require that general contractors on public works projects be union contractors?

reasoning in AGO 61-62 No. 41, discussed in the above question, applies here also. The contract should be awarded without regard to union status.

Have received training, provided by the Department of Labor and Industries or a provider whose curriculum has been approved by L&I, on the requirements related to public works and prevailing wages. However, bidders that have completed three or more public works projects and maintained a valid business license in Washington for at least three years are exempt from this requirement. (Effective July 1, 2019.)

RCW 39.04.350 allows counties to adopt relevant supplemental bidder responsibility criteria for a particular project.⁷⁵ The bidding documents must include the adopted supplemental criteria and:

- a basis for evaluation;
- a deadline for bidder to submit responsibility documentation;
- a deadline for bidder to appeal a "not responsible" determination.

A potential bidder may request changes to the supplemental criteria, and the county is to evaluate the request. If it agrees to change the criteria, it must issue an addendum.

If a bidder fails to supply information requested concerning responsibility within the time and manner specified in the bid documents, the county may base its determination of responsibility on any available information related to the supplemental criteria, or it may find the bidder not responsible.

If the county determines a bidder to be not responsible, it must provide, in writing, the reasons for the determination. A bidder can appeal the determination within the time period specified in the bidding documents by presenting additional information to the county. The county must consider the additional information before issuing its final determination. If the final determination affirms that the bidder is not responsible, the county may not execute a contract with any other bidder until two business days after the bidder determined to be not responsible has received the final determination.

May a county require that all bidders attend a pre-bid meeting?

Although there is no legal authority on point, we recommend against such a requirement. Instead, we suggest that a county "strongly urge," in its advertisement, that all bidders attend a pre-bid meeting, when it deems such a meeting necessary. A county may feel, for example, that in order to make a responsible bid that meets all the specifications, contractors site. However, that should be the contractors' choice. They may still bid on the project without making county might lose a potentially low not attend the pre-bid meeting.

May a county state in its bid specifications that it "reserves the right to make such alterations in the plans or in the quantities of work as may be considered necessary" in case all bids are over its budget?

No, because the county would have to negotiate the changes with a contractor to see what the firm would be willing to do for the amount of money the county has to spend. Counties are not allowed to negotiate with bidders. Using the deductible method discussed above is the way to handle budget

⁷⁵Pursuant to RCW 39.04.350(3), the Capital Projects Advisory Review Board (CPARB) was directed to develop suggested guidelines to assist the state and municipalities in developing supplemental bidder responsibility criteria. See "Suggested Guidelines for Bidder Responsibility" (rev. February 9, 2012) at http://www.des.wa.gov/ SiteCollectionDocuments/About/CPARB/BidderResponsibilityGuidelines.doc.

Compliance with RCW 39.30.060, when applicable, is required for a bid to be considered responsive. That statute specifies that every bidder for a public works contract expected (estimated) to cost over \$1,000,000 must submit, either with the bid or within one hour of the published bid submittal time, the names of all the subcontractors with whom the bidder will subcontract for heating, ventilation and air conditioning, plumbing, and electrical work. If such a list is not provided, the bid is considered nonresponsive. If the general contractor does not plan to use covered subcontractors, it must name itself as the one who will perform the work.

To determine the lowest responsible bidder, cities might find it helpful to include a "Statement of Bidder's Qualifications" as part of the bid documents. This statement normally requests both financial and technical experience summaries and a bank reference. A good rule of thumb to use when considering whether to accept a bid other than the lowest one: would a private business determine that this firm would be the best one to satisfactorily complete the project at the lowest cost?

Preferences. RCW 39.30.040 allows (but does not require) counties, in determining the lowest bid, to consider the tax revenues that are generated by a purchase of supplies, materials, and equipment. "Tax revenues" are defined by that statute to mean a local sales tax that the supplier would pay to the local government and business and occupation taxes imposed by the local government that are measured by gross receipts of the supplier from the sale, the latter of which counties do not have the authority to impose. If a county considers these sales tax revenues, it must consider the taxes it would receive from suppliers located both within and without its boundaries. Counties may award a contract to the bidder submitting the lowest bid before taxes are applied, provided that a notice of the intent to do so is given before bids are submitted.

Counties may also give preference to products made of recycled materials or to products that may be recycled or reused. 76 Rather than invoke this preference in an arbitrary manner, the county board should establish a policy that states what percentage preference will be given for various products.

If either of these preferences will be used to determine the lowest bidder, that fact should be mentioned in the bid documents. Remember,

May a county call for bids with deductible or additive alternatives because it fears all bids might be too high?

Yes, if the bid specifications are written correctly. They should state that bidders are to submit an overall bid for the project, and then give the cost of each deductible in case it is necessary to reduce the size of the project. The specifications should clearly indicate that the county reserves the right to accept bids on the entire project or to reduce the size of the project if it is necessary to make it fit the budget. The order in which the deductibles would be exercised should also be in the specifications. Note that the county may not choose a contractor and then negotiate the deductibles. Hanson Excavating Co. v. Cowlitz *County*, 28 Wn. App. 123 (1981). An example of such language is found at Appendix F3 in the Purchasing, Bidding, and Contract Management Sourcebook, at http://www. mrsc.org/subjects/pubworks/ sourcebook/sourcebooktoc.aspx.

May a county modify the bid specifications after advertising?

A county may use addenda to modify the bid specifications. The county should make certain that every person who received a bid packet is notified that there is an addendum. If the time period before the bid opening is short, the addendum should be sent by certified mail. The bid opening may need to be delayed if an addendum is sent out too close to the opening date. It is common practice to have addenda in their proposals.

⁷⁶RCW 36.32.245(6); RCW 36.32.235(16).

other "local preferences" favoring local businesses in the award of a contract are not allowed.⁷⁷

Legislation adopted in 2011 and now codified in RCW 39.04.380 provides that, in any public work bidding process in which a bid is received from a nonresident contractor from a state that is identified by the Department of Enterprise Services as providing an in-state contractor advantage (percentage bid preference), the state or local agency must provide a comparable disadvantage to the bid of that nonresident contractor. However, this requirement does not apply until either the Department of Enterprise Services has adopted rules and procedures to implement this reciprocity requirement or until it announces that it will not be issuing rules or procedures pursuant to this statute. This provision does not apply if the contractor has an office located in Washington State.

Accepting or Rejecting the Bid

Assuming that there are no bidding irregularities (see next section), a county, after opening the bids, must award the contract to the lowest responsible bidder or reject all bids.

A county may not negotiate with the bidders once the bids have been submitted and opened. In *Platt Electric Supply, Inc. v. Seattle*, 16 Wn. App. 265 (1976), the City of Seattle invited bids on light bulbs. The advertisement for bids allowed bidders to set their own specifications. Platt submitted the lowest bid and Seattle offered to award the contract to Platt if it would lower its bid. Platt refused. Seattle then negotiated with the fourth lowest bidder out of a field of seven, eventually awarding the contract to that bidder. Seattle's justification was that this bidder had a better warranty and was, therefore, the best bidder. The court of appeals held the contract was void for either of two reasons: (1) the bidding laws were violated when the advertisement for bids allowed the bidders to set their own specifications, and (2) the city had negotiated with a bidder after the bids were submitted and opened. The court observed that both of these practices undermined the competitive bidding process. If bidders were allowed to set their own specifications, bids would not be comparable and there would be no objective criteria on which to award the contract. Negotiations with bidders after bidding has taken place undermines the fairness of the bidding process by not allowing all bidders to submit bids on the contract that is eventually awarded.⁷⁸



May a county receive a bid electronically?

Unless the county has established a secure means of "sealing" electronic bids, typically through an electronic bidding system developed by an outside vendor, then an electronic bid would not be considered sealed and should not allowed. Although the statutes don't specifically require that bids be sealed, that requirement is strongly implied. RCW 36.32.245 speaks at subsection (2) of bids being "opened and read in public at the time and place named in the advertisement," and states at subsection (3) that "For advertisement and formal sealed bidding to be dispensed with . . ." (Emphasis added.) With respect to public works project bidding, RCW 36.32.250 also states twice

No such restrictions, however, apply to requests for bids under a county's small public works roster preoceduresprocedures.

⁷⁷See AGO 61-62, No. 41.

⁷⁸See also Contractors v. Ellensburg School District, 96 Wn.2d 806, 812 (1982); Hanson Excavating v. Cowlitz County, 28 Wn. App. 123, 126 (1981).

Protest of Contract Award

If the contract is subject to competitive bidding, and the county receives a written protest from a bidder within two full business days following the bid opening, it may not execute a contract with anyone other than the protesting bidder without first providing at least two full business days' written notice of its intent to execute a contract.⁷⁹ Saturdays, Sundays, and legal holidays are not counted.

Beyond that, there are no statutory requirements. If a county does not have any procedure regarding bid protests, it should allow a bidder to protest the award to the appropriate official or body, who can then make a determination whether the protest is valid. If the county rejects the protest, the objecting bidder, to preserve the protest, must bring suit for injunctive relief in superior court before the agency and the low bidder sign the contract.80

Bidding Irregularities

Errors in Bid Procedures or in Complying with Specifications A bid must substantially comply with the applicable procedures or specifications if it is to be considered. If it does not, the bid must be rejected. However, an "insubstantial variance" from certain specifications or procedures will not prevent a county from considering a bid. As a general rule, an immaterial or insubstantial variance is one that does not give a bidder a substantial advantage over the other bidders.

- Example of insubstantial variance: in *Rhine, Inc. v. Tacoma*, 13 Wn. App. 597 (1975), the court of appeals concluded that the late filing of a bid bond was an insubstantial variance that could be waived by the city because it did not give the late bidder an advantage over the others.81
- Example of substantial variance: in <u>AAB Electric v. Stevenson</u> Public School District, 5 Wn. App. 887 (1971), the court of appeals held that the failure to sign a bid was a substantial variance that justified the city's rejecting the low bid. The court noted that this defect would give the bidder who failed to sign the bid an advantage over the other bidders. This bidder could



May a county prequalify bidders?

Although some statutes applicable to state agencies specifically require or allow prequalification on certain kinds of projects (RCW 47.60.680; 47.28.070), there are no such statutes for municipalities, other than RCW 39.04.155, relating to the development of small works rosters. However, charter counties, with their home rule powers, would not need such statutory authority unless prequalification would be considered inconsistent with statutory competitive bidding requirements. For other counties, may preclude prequalification. In Manson Engineering & Construction Co. v. State, 24 Wn. App. 185 (1979), the court of appeals addressed whether the Department of Transportation requirements, in addition to those set out in RCW 47.28.070, relating to highway construction projects. The court, in ruling that the department did not have the authority to add additional

Prequalification standards, as authorized by RCW 47.28.070, tend to limit the extent of competitive bidding. It is the function of the legislature, not the judiciary or an administrative agency, to circumscribe competitive bidding. When, as in the case at bench, the legislature has already defined those limits, courts will be wary of interpreting the legislatively mandated standards so as to further circumscribe

⁷⁹RCW 39.04.105. The contract is executed when it is signed, not when it is awarded. <u>BBG Group, LLC v.</u> City of Monroe, 96 Wn. App. 517, 520 (1999).

⁸⁰ Skyline Contractors, Inc. v. Spokane Hous. Auth., 172 Wn. App. 193, 204 (2012); BBG Group, LLC v. City of Monroe, 96 Wn. App. 517, 521 (1999).

⁸¹ See also Gostovich v. City of West Richland, 75 Wn.2d 583 (1969); Farmer Construction v. State, 98 Wn.2d 600 (1983).

choose not to enter into a contract, if accepted as the low bidder, without having to forfeit his bid bond because his bid was unsigned. The other bidders, who had properly signed their bids, would forfeit their bid bonds if any of their bids were accepted and they failed to enter into a contract.82

In a similar vein, the court in <u>Land Construction v. Snohomish County</u>, 40 Wn. App. 480 (1985), concluded that a substantial variance existed where a bidder included, as a subcontractor, a women's business enterprise (WBE) that was not certified as required by the specifications. The court saw in this circumstance an advantage over other bidders. because the bidder would have to substitute a certified WBE in order for the county to accept the bid and the bidder could therefore decide not to enter into the contract if it thought theits bid was bid too low.

Bid Amount Errors

Bid amount errors are of two types: (1) those that favor a county, where the bidder makes a mistake that causes the bid to be lower than it should be; and (2) those that favor a bidder, where the mistake causes the bid to be higher than it should be. These errors, which are relevant only when they affect the lowest responsible bid, are governed by some general rules, as follows:

A bidder is bound by the bid amount. The courts will not reform (correct) a contract because of an error, even an obvious one, in the amount bid.

Example: In J. J. Welcome & Sons Construction v. State, 6 Wn. App. 985 (1972), the court of appeals refused to reform a contract based on a bid that was \$10,000 short as a result of a mistake made by Western Union in transmitting a telegram, even though the mistake was not noticed until after the bids were opened. The court, at 990, noted that the state highway commission was statutorily foreclosed from any post-bid opening revision, concluding that:

granting reformatory relief in this instance would open the door in a sensitive area to factual review of bidletting procedures which would adversely invade the safeguards surrounding the competitive bidding system and the confidence which contractors and the public have in its fairness.

the competitive bidding policy. Accordingly, we are not inclined to view favorably an administrative agency's attempt to extend its authority by asserting prequalification standards in excess of those specifically provided by statute.

24 Wn. App. at 190. See also AGO 1993 No. 19, in which the Attorney General addressed the issue of whether institutions of higher learning could require that contractors have an apprenticeship program as a prequalification. The opinion, citing the *Manson* case, said that, absent statutory requirement that contractors have an apprentice program, universities and colleges did not have the authority to impose one. The *Manson* court's reasoning may be equally applicable to counties other than charter counties.

We note that the 2012 Standard Specifications for Road, Bridge, and Municipal Construction, Section 1-02.1 (including the APWA Supplement provision), authorizes a pregualification procedure. This would not, however, provide sufficient authority for counties, when adopting the Standard Specifications, to prequalify

⁸²In Farmer Construction v. State, supra, however, the failure to sign the bid did not invalidate the bid where the bid bond, which made reference to the bid, was signed (and the bid document made reference to the bid bond). See also Eastside Disposal v. Mercer Island, 9 Wn. App. 667 (1973).

A county is not necessarily bound by the bid amount. In *Red*-Samm Mining v. Port of Seattle, 8 Wn. App. 610 (1973), the low bidder submitted a bid that the port determined was calculated incorrectly and was actually over \$96,000 less than the submitted total. The port refused to award the contract at the higher amount and threatened the bidder with forfeiture of the bid bond if it did not accept the bid award at the lower amount. The bidder elected to accept the contract at the lower amount, but then sued the port, claiming that it entered into the contract at the lower amount under duress. The court rejected the bidder's claim, because it had decided to enter into the contract rather than refusing the award at the lower figure and raising equitable defenses (duress) if the port had sought forfeiture of the bid bond.

Does the *Red-Samm* case mean that a county, when confronted with an obvious error that favors the bidder, can force the bidder to accept the contract at the correct amount? Probably the best that can be said is that it depends upon the circumstances and how a court might look at the equities of the situation and resolve the apparent inconsistency between the *Red-Samm* and *J. J. Welcome* cases.

The bidder who submitted the erroneous low bid may withdraw the bid, at the risk of forfeiting the bid bond. In *Puget Sound Paint*ers v. State, 45 Wn.2d 819 (1954), the low bidder submitted an erroneous bid as a result of a mistake made in estimating the cost of performing the proposed contract. After the bid was accepted, the bidder immediately realized the mistake and notified the state. The bidder was successful in a suit to recover its bid bond. The state supreme court stated that the following factors should be considered in determining if a bidder can be relieved of his contractual obligations without forfeiting the bid bond, after submitting an erroneous low bid:

- Whether the bidder acted in good faith,
- Whether the bidder acted without gross negligence,
- Whether the bidder was reasonably prompt in giving notice of the error in the bid,
- Whether the bidder will suffer substantial detriment by forfeiture.

May a county accept the second lowest bid for a computer contract if the lowest bidder is located quite far

The county is concerned that it will not receive as good service from the distant company. This may or accepting the low bid, depending upon the specific circumstances. The county should not just assume that service would be a problem simply because of the bidder's location. However, if the county reasonably determines, and makes appropriate findings, that the low bidder will not be able to adequately provide the required service, it may reject the low bid. In addition, the alternative provided by <u>RCW 39.04.270</u> for procurement of computer equipment and software by municipalities provides that "[t] he award shall be made to the qualified bidder whose proposal is most advantageous to the municipality with price and other service the purchased equipment would probably be one of the factors that a county could consider when awarding a contract under the procedure authorized by this legislation.

Whether the other party's (i.e., the county's) status has not greatly changed, and relief from forfeiture will cause no substantial hardship on that party.83

However, the courts have also held that "there are certain types of mistakes, such as underestimating the cost of labor and materials, which are purely judgmental and never entitle a bidder to equitable relief." Peter Kiewit Sons' Co. v. Wash. State Dep't of Transp., 30 Wn. App. 424, 431 (1981).

Any low bidder who claims an error and fails to enter into a contract (even if the bidder is not required to forfeit its bid bond) is prohibited from bidding on the same project if a subsequent call for bids is made.84

Caveat: If the Standard Specifications for Road, Bridge, and Municipal Construction is used, a correction in any error in adding up the unit prices may be permissible. Under this Standard Specifications procedure, however, all bid proposals are checked for accuracy in adding up unit prices, prior to the bid award. See Standard Specifications, Section 1-03.1. The APWA Supplement for this section provides a procedure for a bidder to claim error (presumably other than in adding up the unit prices) after the bids have been opened, and for agency review of the claimed error. If the contracting agency concurs in the claim of error, the bidder is relieved from performing the contract without forfeit of the bid bond.

No court case involving a unit price error correction under this section of the Standard Specifications has been reported. The courts may not have a problem with this limited error correction mechanism, given that the specifications expressly provide for it, the correction involves only adding up the unit prices, and the procedure applies automatically to all bid proposals.

Small Works Roster⁸⁵

As an alternative to the general competitive bidding procedures, any county may follow the uniform small works roster process for construction of a public work or improvement, including road projects,



The lowest bidder is a firm that did not finish a previous contract with the county on time. May we choose a higher bidder?

It depends. If the county has adopted supplemental criteria under <u>RCW 39.04.350(2)</u> for the project, then a bidder must meet all the criteria to be considered responsible. (Note that if your county has not adopted supplemental criteria for the project, then it can apply only the mandatory criteria in RCW 39.04.350(1), which do not include the bidder's performance on previous projects.) Assuming those supplemental criteria require information on the performance of similar projects, then the contractor's failure to finish a previous contract with the county would be a basis for determining the low bidder to not be a responsible bidder and thus for rejecting this low bidder's bid. Of course, there may have been reasons for not completing the prior project that were beyond the bidder's control. So, the county should have adopted a process for appealing the determination that the bidder is not responsible, under which the bidder can present additional information and challenge that determination.

⁸³⁴⁵ Wn.2d at 823.

⁸⁴RCW 36.32.250.

⁸⁵As an alternative to setting upon your own small works roster, counties may join MRSC Rosters, a shared statewide small works and consultant roster system that over 330 Washington State cities, counties, and special purpose districts use to search for project bidders. See http://www.mrscrosters.org.

with an estimated cost of \$300,000 or less. 86 A small works roster lists contractors who have requested placement on the roster and who, where required, are properly licensed or registered to perform work in this state. RCW 39.04.155(2) describes the procedures to be followed if a county chooses to use a small works roster:87

- A county must publish a notice of the existence of its general small works roster or rosters (if it chooses to have different rosters for different kinds of work) in a newspaper of general circulation at least once a year, and must solicit the names of contractors for the roster(s).
- The county legislative authority or purchasing department must establish a procedure for securing telephone, electronic, or written bids from the contractors on the roster who have the necessary qualifications to competently complete the particular project.
- Invitations for contractors to submit bids must include an estimate of the scope and nature of the work to be performed and a list of the materials and equipment to be furnished; detailed plans and specifications need not be included in the invitation.
- Quotations may be invited from all appropriate contractors on the appropriate roster. Alternatively, quotations may be sought from at least five contractors on the appropriate roster who have indicated the capability of performing the kind of work being sought.88
- Whenever possible, the counties with a population of 400,000 or more must invite at least one proposal from a minority or woman contractor who must otherwise qualify under this section.89



We put a contract for a gas lawnmower for our parks department out to bid. The low bid was for a lawnmower with a diesel engine, and we think that we prefer the diesel engine. May we accept the bid?

No. This bid is not responsive to the bid specifications. If the county wants a lawnmower with a diesel engine, it should reject all bids and

All the bids were higher than we expected. May we negotiate with the lowest responsible bidder?

No. The county must reject all bids. The county may want to reduce the scope of the project and advertise

⁸⁶RCW 36.32.235(13); RCW 36.32.250; RCW 36.77.075.

⁸⁷For sample small works roster resolutions, see the MRSC Rosters website under the "Public Agencies" tab.

⁸⁸ If the alternative process is used, the county should distribute the invitations for quotations in a manner that will equitably distribute the opportunity, that is, not favor one contractor over another. If the estimated cost of the work is from \$150,000 to \$300,000 and the county chooses to solicit bids from less than all the appropriate contractors, it must notify the other contractors on the roster that quotations are being sought. Notice may be published, mailed out, or sent by fax or other electronic means. RCW 39.04.155(2)(c). The notice requirement only applies if the work is estimated to cost between \$150,000 and \$300,000; there is no similar requirement when the estimated cost is

⁸⁹RCW 36.32.235(13). In view of the passage of Initiative 200 in 1998, it is not clear whether this requirement is enforceable, as it could be construed as "preferential treatment." An issue paper from the Attorney General's office dated October 16, 1998, however, suggests that a court may distinguish such an outreach program, one which merely expands the pool of qualifying participants, from the use of selection goals, one which merely expands the pool of qualifying participants, from the use of selection goals, which more likely is a form of preferential treatment.

- After the bids have been submitted, the county must award the contract to the contractor submitting the lowest responsible bid.90
- Immediately after an award is made, all bid quotations submitted must be recorded and made available to the public for inspection, or the bid figures must be supplied in response to telephone inquiries.
- At least every two months, the county must post a list of contracts awarded. The list must contain, for each contract, the name of the contractor, the amount of the contract, a brief description of the public work, and the date of the award.⁹¹

Small works roster procedures are "an alternative" to competitive bid requirements for public works projects in <u>RCW 36.32.250</u>. Therefore, specific requirements, such as those relating to advertising for bids or regarding bid deposits are not mandatory small works roster contracts. But performance bonds are prescribed in RCW 39.08.030, not RCW 36.32.250, so they are required on small works roster projects, even though bid bonds are not. Because the projects are public works and will be performed by contract, the requirement to pay prevailing wages remains. Although not required, bid bonds are recommended to help ensure that the contractor enters into the contract.

Limited Public Works Process

The "limited public works process" is a type of small works roster process that applies only to contracts estimated to cost less than \$35,000. This process is described in $\underline{RCW 39.04.155(3)}$ as follows:

- A county must solicit electronic or written quotations from a minimum of three contractors from the appropriate small works roster.
- The county is to award the contract to the lowest responsive bidder, unless there is a compelling reason to reject all bids and cancel the solicitation.
- Quotations are to be made available to public inspection once the contract is awarded, and are to be available by electronic request.

⁹⁰For a discussion of how to determine "the lowest responsible bid," see pages 30-32.

⁹¹RCW 39.04.200.

- The county must maintain a list of contracts awarded and contractors contacted during the previous 24 months, including the name of the contractor, the contractor's registration number, the amount of the contract, a brief description of the type of work performed, and the date the contract was awarded.
- The county may waive the payment and performance bond requirements of chapter 39.08 RCW and the retainage requirements of chapter 60.28 RCW. However, the county retains the right of recovery against the contractor for any payments it makes on the contractor's behalf.

Alternative Public Works Contracting Procedures

Recognizing that, under certain circumstances, alternatives to the traditional competitive bid process "may best serve the public interest if such procedures are implemented in an open and fair process based on objective and equitable criteria," the legislature, initially in 1994, provided in chapter 39.10 RCW for a design-build procedure and a general contractor/construction manager contracting procedure (GC/CM).⁹² As originally established, these procedures could be used by counties of over 400,000 population for projects costing over \$10 million and meeting certain criteria. The population size criterion no longer applies.

In 2003, the legislature authorized job order contracting as an alternative public works contracting procedure.

In 2005, the legislature established the Capital Projects Advisory Review Board (CPARB) to monitor and evaluate the use of traditional and alternative public works contracting procedures and to evaluate potential future use of other alternative contracting procedures.⁹³ Pursuant to CPARB recommendation, the 2007 legislature required CPARB to establish a Project Review Committee to certify public bodies, including counties, to use either design-build, GC/CM, or both procedures, or to approve projects on a project-by-project basis.⁹⁴ The use of these procedures by certified public bodies for design-build procedures is limited, under 2013 legislation, to no more than five projects with a total project cost of between \$2 million and \$10 million

A bidder sent her bid by express mail and it arrived at our post office before the bid opening. However, through someone's error, it was not delivered to the county courthouse until after the bid opening. This bid was lower than the others. May we award the contract to her?

The county can probably waive this bidding irregularity. The bidder took the appropriate steps to have her bid arrive in time, and the delay in the county's receipt of the bid did not give the bidder any advantage

May a county accept a bid when the bid bond language in the bid varies from the required bid bond language in the call for bids?

The language that the bidder used would have allowed the bidder to put up a smaller bid bond than other bidders under some circumstances. This could be seen as an advantage to that bidder, should not be waived.

May the low bidder be allowed to withdraw a bid if he made a mistake in his bid calculation?

As discussed above, in *Puget* Sound Painters v. State, the court held that the bidder could be relieved of his contractual obligations without having to forfeit his bid bond, based on standpoint, it probably makes sense for the county to be lenient when reviewing a situation where an honest error has been made because the bidder, if compelled to execute his contract, may try to recoup its losses in other ways, such as change orders.

⁹²RCW 39.10.200.

⁹³ RCW 39.10.220. For more information on CPARB, see it's webpage at http://www.des.wa.gov/about/ Committees/CPARB/Pages/default.aspx.

⁹⁴RCW 39.10.240.

during a three-year certification period, without committee approval.⁹⁵ The 2013 Legislature removed project cost restrictions on the GC/CM procedure. Once certified, a county may use the GC/CM procedure for which it is certified on individual projects for three years without seeking committee approval.96

The Project Review Committee may approve use of either of these procedures by noncertified public bodies on a project-by-project basis, though no more than 15 projects using the design-build process for projects with a total cost between \$2 and \$10 million.⁹⁷

Unless extended through further legislative action, the design-build, GC/CM, and job order contracting procedures will cease to be available on June 30, 2021.98

Design-Build

Counties may use design-build procedures to contract for public works.⁹⁹ Use of design build first requires a request for proposal and an evaluation of qualifications and proposals. 100

The design-review process allows a county to contract for both the design and construction of a facility valued over \$10 million, or, regardless of cost, of parking garages, portable facilities, preengineered metal buildings, or not more than ten prefabricated modular buildings per installation site. 101 The portable, preengineered, and prefabricated buildings do not need Project Review Committee approval. 102 The contract is awarded through a competitive process using the public solicitation of proposals for design-build services. The request for qualifications must contain a detailed description of the project, the reasons for the design-build procedure, a description of the qualifications required, a description of the process for evaluation of qualifications and proposals, the form of the contract to be awarded, and any other relevant

A bidder called, saying that she had inadvertently left out the light bar in her bid for a new sheriff's car. The bids have not yet been opened. May we allow her to amend her bid?

Probably. The test is whether allowing the amendment would give this bidder an advantage in the bidding process. Since she does not know what others bid, she has gained no advantage.

Our board misread a bid and did not award the bid to the lowest responsible bidder. May we withdraw the acceptance and award the bid to the lowest bidder?

reason for rejecting the lowest bid and accepting a higher one (even by mistake), the acceptance of the bid is probably invalid and should be withdrawn. We cannot guarantee, however, that the county will not incur liability for withdrawing the award. But, if only a few days have passed, the bidder mistakenly awarded the bid probably incurred no damages. An analogy may be drawn to the situation where a bidder makes a mistake (see *Puget Sound* Painters v. State) and is allowed to withdraw the bid without penalty.

When we opened the bids for a public works project, we noticed that the high bidder had made an arithmetic error and, after correcting for that error, he is the low bidder. May we reform his bid and award him the contract?

No, this would not be fair to the other bidders. The county should either ignore this bid and award the contract to the next lowest bidder or reject all bids and start

⁹⁵RCW 39.10.270(1).

⁹⁶RCW 39.10.270(1).

⁹⁷RCW 39.10.250(4).

⁹⁸RCW 43.131.407. There is some confusion as to whether the authorization to use these procedures expires June 30, 2021 or June 30, 2022. RCW 43.131.407 provides that "The alternative public works contracting procedures under chapter 39.10 RCW shall be terminated June 30, 2021, as provided in RCW 43.131.408." However, RCW 43.131.408 provides that "The following acts or parts of acts, as now existing or hereafter amended, are each repealed, effective June 30, 2022 " (Emphasis added.) Of course, Tthe Legislature has plenty of time to clear up this confusion.

⁹⁹RCW 39.10.300.

¹⁰⁰RCW 39.10.330.

¹⁰¹RCW 39.10.300(1)-(3).

¹⁰²RCW 39.10.300(3).

information to the project. 103 The proposals are to be evaluated by a committee who chooses three to five finalists to submit best and final proposals; the contract is awarded from these proposals, or all proposals may be rejected. 104 The firm selected is then required to submit a performance and payment bond, while the other finalists are paid an honorarium in an amount "sufficient to generate meaningful competition among potential proposers."105

General Contractor/Construction Manager Procedure A general contractor/construction (GC/CM) manager is a firm the county selects and with whom it negotiates a maximum allowable construction cost, guaranteed by the firm, selected after advertisement and competitive bids. The county contracts with an architectural and engineering firm to design the project and, early in the project, also contracts with a GC/CM firm to assist in the project design, manage the construction of the project, act as the general contractor, and guarantee that the project will be built within budget. When the plans and specifications for a project phase are complete, the GC/CM firm subcontracts with construction firms to construct that phase.

The GC/CM procedure may be used for public works projects where one of the following applies:

- Implementation of the project involves complex scheduling, phasing, or coordination;
- The project involves construction at an occupied facility that must continue to operate during construction;
- The involvement of the general contractor/construction manager during the design stage is critical to the success of the project;
- The project encompasses a complex or technical work environment; or
- The project requires specialized work on a building that has historic significance. 106

¹⁰³RCW 39.10.330(1).

¹⁰⁴RCW 39.10.330(2).

¹⁰⁵RCW 39.10.330(8).

¹⁰⁶RCW 39.10.340.

A county using this procedure must establish a committee to evaluate the proposals submitted in response to an RFP. This committee evaluates the proposals based on the firms' qualifications and the selects the most qualified as finalists. The finalists then submit final proposals, including sealed bids, for the "percent fee" (overhead and profit) on the estimated maximum allowable construction cost and a fixed amount for the general conditions work specified in the RFP.¹⁰⁷

Job Order Contracting

A "job order contract" is a contract between a county, with a population of 450,000 or more, ¹⁰⁸ and a registered or licensed contractor through which the contractor agrees to provide services of an indefinite quantity for work anticipated to arise over a fixed period of time, not to exceed two years, with an additional one-year option. Job order contracting is a very different process from the traditional design-bidbuild method of performing public works projects. Job order contracting provides a method of obtaining construction services for smaller projects through the use of an indefinite quantity delivery order contract over a fixed period of time. Using this method, a county selects a contractor based on the evaluation factors established in the request for proposals (RFP), which must include price and the ability of the proposer to perform the job order contract. The contractor's bid is known as the contractor's coefficient and is a percentage markup or markdown of the prices included in the identified price book the county intends to use.

The primary advantage to job order contracting is its speed. A county is able to complete smaller projects more quickly through the traditional method of contracting. Complete plans and specifications are not always required, although they must be sufficiently clear so that a contractor understands the project clearly enough so that he or she can price it. Some criticize job order contracting as being more expensive than would be possible under competitive bidding.

¹⁰⁷RCW 39.10.360.

¹⁰⁸RCW 39.10.420(1)(e).

Other Bidding Issues

Change Orders

Any alteration to a project during construction that is not consistent with the bid specifications upon which the contract was awarded is a "change order." If, for example, during construction of a building foundation, additional excavation work is required to avoid unstable soil conditions, the additional excavation is a result of a change in conditions, and the added cost to the contractor may be covered by a change order. If machinery anchors must be relocated to accommodate a piece of machinery that has been ordered, the relocation is a change order. If, during construction, a building must be redesigned to meet new federal or state standards, such as for access for the handicapped, the redesign and additional work is a change order. Conversely, reductions in work may result in a change order that will provide a credit to the county.

When does the additional work required by a change order require competitive bids? There is no Washington authority on this issue. The generally accepted rule is that where a statute requires that a contract for public work shall be let to the lowest responsible bidder, a municipal corporation cannot evade the law by making substantial changes in the contract after it has been award pursuant to the law. The state auditor's office supposedly has set a 10 percent threshold for audit purposes; changes orders that are more than 10 percent of the original contract amount will receive additional audit review. The state auditor's office will look at various factors with respect to change orders:

- The legitimacy of the reasons for the change;
- Whether the reasons for the change were unforeseen at the time the contract was made;
- The timing of the change in context of work being performed;
- Whether the contract contains clauses authorizing modifications and meaning of specific clauses; and
- The extent of the change relative to the original contract;

Each change order, accordingly, must be reviewed separately to determine whether the proposed work is a substantial change from that contemplated in the bidding process. Other issues to consider include:

- Does the work constitute a new undertaking or is it consistent with the scope of the original work?
- Does the work require experience or expertise beyond that required in the original contract?
- Is the change order the result of defective work?

MRSC recommends that counties adopt policies to guide the consideration and approval of change orders in public works contracts. Such polices can address the following:

- Who has change order approval authority?
- Is there a dollar figure or percentage of the original contract amount that can be authorized for a change order, or over which approval by a higher authority is necessary?

Conflict of Interest¹⁰⁹

Municipal contracts that may benefit a municipal officer under whose authority the contract is entered into are severely restricted. <u>RCW 42.23.030</u> provides, in part:

No municipal officer shall be beneficially interested, directly or indirectly, in any contract which may be made by, through or under the supervision of such officer, in whole or in part, or which may be made for the benefit of his office, or accept, directly or indirectly, any compensation, gratuity or reward in connection with such contract from any other person beneficially interested therein.

"Municipal officer" is defined in RCW 42.23.020(2) as:

[A]ll elected and appointed officers of a municipality, together with all deputies and assistants of such an officer, and all persons exercising or undertaking to exercise any of the powers or functions of a municipal officer.

There is a limited exception to the above prohibition for officers in counties with a population of less than 125,000. Officers who are subject to the prohibition in those counties may have a financial interest in



Our county awarded a contract for a public work without going out for bids because the estimated cost was under the threshold for bids. Now the contract requires a change order that will push the cost over the threshold.

As long as the county estimated the cost of the project in good faith, the change order will not be affected by the bidding statutes. The county should follow its normal procedures for a change order.

¹⁰⁹ Knowing the Territory: Basic Legal Guidelines for Washington City, County, and Special Purpose District Officials, Report No. 47 Revised, November 2011 (Municipal Research and Services Center), contains a detailed analysis of the conflict of interest statutes regarding public contracts at pp. 8-12.

contracts made under their supervision as long as the amount received under such contract or contracts does not exceed \$1,500 in a calendar month.110

Any contract made in violation of RCW 42.23.030 is void, and any officer who violates RCW 42.23.030 is subject to a civil penalty of \$500 and his or her office may be subject to forfeiture.

Results of Violation of Bid Statutes

A violation of statutory bidding requirements may have a number of consequences. First, a contract made in violation of such requirements, or those of a county charter or ordinance, is illegal and void. Nevertheless, a county may have to pay for the reasonable value of a partiallyperformed contract that is voided for violation of bid law, where there is no bad faith or fraud.

Second, a violation of bid law has consequences for the municipal officer under whom or under whose supervision the contract was made. RCW 39.30.020 provides that the officer is liable for a penalty of not less than \$300 if the violation of bid law was "willful and intentional," and that, further, the officer may be held liable for the consequential damages to the county resulting from the violation. The definition of "municipal officer," for purposes of the penalties in RCW 39.30.020, is that contained in RCW 42.23.020(2), above, for conflicts of interest.

If the officer, in a criminal action against him or her, is found to have intentionally violated bid law, the officer immediately forfeits his or her office.¹¹¹

¹¹⁰ RCW 42.23.030(6).

¹¹¹RCW 39.30.020.