

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 5760 SB	<b>Title:</b> Ferry vessel procurement	<b>Agency:</b> 405-Department of Transportation
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## Part I: Estimates

**No Fiscal Impact**

### Estimated Cash Receipts to:

NONE

### Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.6	0.0	0.3	0.0	0.0
<b>Account</b>					
Puget Sound Capital Construction Account-State 099-1	1,720,000	1,062,000	2,782,000	5,048,000	3,469,000
<b>Total \$</b>	1,720,000	1,062,000	2,782,000	5,048,000	3,469,000

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- Capital budget impact, complete Part IV.
- Requires new rule making, complete Part V.

Legislative Contact: Jenna Forty	Phone: 360-786-7755	Date: 03/17/2023
Agency Preparation: Matthew Von Ruden	Phone: 206-515-3863	Date: 03/24/2023
Agency Approval: Todd Lamphere	Phone: 206-743-1503	Date: 03/24/2023
OFM Review: Tiffany West	Phone: (360) 890-2653	Date: 03/29/2023

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Significant provisions of the bill and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency by section number.

See attached WSDOT fiscal note and cost estimate details sheet. Please note, the fiscal note system does not accurately reflect the total known expenditure estimates because the fiscal note system does not allow entry of the fiscal year 2023 expenditures. Therefore, the \$620,000 necessary for implementation in 2023 is shown distinctly in the department's fiscal note and the attached cost estimate details sheet.

### II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

### II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

## Part III: Expenditure Detail

### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
099-1	Puget Sound Capital Construction Account	State	1,720,000	1,062,000	2,782,000	5,048,000	3,469,000
<b>Total \$</b>			1,720,000	1,062,000	2,782,000	5,048,000	3,469,000

### III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.6		0.3		
A-Salaries and Wages	158,000		158,000		
B-Employee Benefits	62,000		62,000		
C-Professional Service Contracts					
E-Goods and Other Services					
G-Travel		20,000	20,000	48,000	32,000
J-Capital Outlays	1,500,000	1,042,000	2,542,000	5,000,000	3,437,000
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
<b>Total \$</b>	1,720,000	1,062,000	2,782,000	5,048,000	3,469,000

### III. C - Operating FTE Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2024	FY 2025	2023-25	2025-27	2027-29
Vessel Project Engineer 533 G	126,000	0.6		0.3		
<b>Total FTEs</b>		0.6		0.3		0.0

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact**

**IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

**IV. C - Capital Budget Breakout**

*Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.*

NONE

**IV. D - Capital FTE Detail:** *FTEs listed by classification and corresponding annual compensation. Totals agree with total FTEs in Part IVB.*

NONE

**Part V: New Rule Making Required**

*Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.*

# Individual State Agency Fiscal Note

<b>Bill Number: 5760 SB</b>	<b>Title: Vessel Procurement</b>	<b>Agency: 405-Department of Transportation</b>
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## Part I: Estimates

Check applicable boxes and follow corresponding instructions, use the fiscal template table provided to show fiscal impact by account, object, and program (if necessary), **add rows if needed**. If no fiscal impact, check the box below, skip fiscal template table, and go to Part II to explain briefly, why the program believes there will be no fiscal impact to the department.

*If a fiscal note is assigned to our agency, someone believes there might be, and we need to address that, showing why there is no impact to the department.*

- Indeterminate Cash Receipts Impact (Explain in section II. B)  
 Both Determinate and Indeterminate Expenditure Impacts (Explain in section II. C)

- If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, **complete entire fiscal note form Parts I-V**  
 If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, **complete entire fiscal note form Parts I-V**  
 Capital budget impact, **complete Part IV**  
 Requires new rule making, **complete Part V**  
 Revised

### Important Note on 2023 Fiscal Year Costs

If implemented the department will incur costs of \$620,000 in fiscal year 2023, for salaries/ wages, benefits, goods and services, and consultant support funded by Fund 099-S Puget Sound Capital Construction Account-State. Fiscal year 2023 expenditure estimates detailed below by object.

A-Salaries and Wages	\$72,000	Vessel Project Engineer 533G 0.6 FTE
B-Benefits	\$28,000	(Based on calculations for one FTE at 100% A-\$126,000 B-\$49,000)
G-Goods and Services	\$20,000	
J-Consultant	<u>\$500,000</u>	
<b>Fiscal Year 2023 Total</b>	<b>\$620,000</b>	

The total determinate costs for fiscal year 2023 (shown above) through fiscal year 2029 is \$11.9 million. The below table reflects the determinate expenditure estimates for fiscal year 2024 through fiscal year 2029.

Please note, the fiscal note system does not accurately reflect the total known expenditure estimates because the fiscal note system does not allow entry of fiscal year 2023 expenditures. Therefore, the \$620,000 necessary for implementation in 2023 is shown distinctly in the department’s fiscal note and the attached cost estimate details sheet.

### *Dollars in Thousands*

Expenditures	2023-25 Biennium		2025-27 Biennium		202-297 Biennium			
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029		
099-1-PUGET SOUND CAPITAL CONSTRUCT	\$1,720	\$1,062	\$2,524	\$2,524	\$2,524	\$945		
<b>Total Expenditures</b>	<b>\$1,720</b>	<b>\$1,062</b>	<b>\$2,524</b>	<b>\$2,524</b>	<b>\$2,524</b>	<b>\$945</b>		
<b>Biennial Totals</b>	<b>\$2,782</b>		<b>\$5,048</b>		<b>\$3,469</b>			
FTEs	Salary		FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Vessel Project Engineer 533G	\$126,000		1.3					
<b>Annual Average</b>	<b>1.3</b>		<b>0.0</b>		<b>0.0</b>			
Objects of Expenditure	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029		
A - SALARIES AND WAGES	\$158							
B - EMPLOYEE BENEFITS	\$62							
G - TRAVEL		\$20	\$24	\$24	\$24	\$8		
J - CAPITAL OUTLAYS	\$1,500	\$1,042	\$2,500	\$2,500	\$2,500	\$937		

The cash receipts and expenditure estimates on this fiscal template represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

# Individual State Agency Fiscal Note

## Agency Assumptions

1. The Legislature has approved funding for up to five new hybrid diesel- electric vessels. This fiscal note only deals with cost changes associated with SB 5760.
2. The original cost estimates for the new vessels assumed that the contract with Vigor would be extended for the purpose of constructing up to five new 144-car hybrid diesel-electric ferries. However, this has not occurred. It is necessary to obtain a contractor through a Request for Proposals (RFP). This will increase costs due to the delay in construction shifting work to latter periods in which costs are higher due to inflation.
3. Among the procurement options allowed by the bill, the department prefers Design-Bid-Build.
4. Using a two-contract procurement approach will accelerate vessel delivery and will require off-site project oversight teams, potentially out of state. Acceleration will reduce costs by shifting work to earlier periods in which the impact of inflation is lessened on total cost. The project oversight teams will increase costs.
5. The bill waives the “Build in Washington” law (RCW 47.60.814(1)(r)) for these five vessels. This will increase competition and may result in lower costs.
6. The bill provides the ability to offer for incentives to reduce life cycle costs of the new vessels, including design features which may reduce the minimum crewing levels.
7. The use of bid credits for in-WA shipyards will exclude this program from federal funds eligibility.

## Agency Contacts:

Preparer: Matthew S. von Ruden	Phone: (206) 445-4594	Date: 21 March 2023
Approval: Todd Lamphere	Phone: (206) 743-1503	Date: 22 March 2023
Budget Manager: Gary Lebow/My-Trang Le	Phone: (360)705-7136/7517	Date: 23 March 2023

## Part II: Narrative Explanation

### II. A - Brief description of what the measure does that has fiscal impact.

*Briefly describe by section number (sections that will change WSDOT costs or revenue), the significant provisions of the bill, and any related workload or policy assumptions that have revenue or expenditure impact on the responding agency.*

The proposed legislation directs Washington State Department of Transportation to contract for the acquisition of up to five new hybrid diesel-electric ferry vessels that can carry up to 144 vehicles, using a one or two contract procurement approach to potentially accelerate vessel delivery. The bill allows for several procurement options. The Design-Bid-Build is the preferred approach. The contract or contracts are exempt from the requirements set forth in RCW 47.60.810 through 47.60.824. Among other things, this bill waives the “Build in Washington” requirement (RCW 47.60.814(1)(r)) which could potentially result in lower costs due to more competition. However, it provides for other in-state preferences which will preclude federal participation. It provides for incentives to reduce life cycle costs of the new vessels and/or reduce the minimum crewing levels. It directs the WSDOT to evaluate proposals based on best value. Finally, it provides for employment of third-party experts that provide management and quality oversight.

### II. B – Cash Receipts Impact

*Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.*

N/A

### II. C - Expenditures

# Individual State Agency Fiscal Note

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

For purposes of this analysis, the department has classified the costs changes from the baseline estimate into the following categories:

1. The legislature approved in the 2022 Session two BINs that fund the construction of five new Hybrid Diesel-Electric Olympic Class vessels (See BIN L2000329 Hybrid Electric Olympic Class (144-auto) Vessel #5, LEAP Transportation Document 2022-2 ALL PROJECTS as developed March 09, 2022, \$218,202,000; and BIN L2021073 Build 4 New Vessels, LEAP Transportation Document 2022-A as developed March 9, 2022, \$210,000,000 and LEAP Transportation Document 2022-B as developed March 9, \$626,000,000). The project budgets (baseline) assumed a procurement process involving the extension of the existing contract with Vigor. The agency requested an update in September 2022 (TEIS file 23DOT001) and the Governor proposed this revised funding level to the 2023 legislature in December 2022 (TEIS file 23GOV001). The project budgets (baseline) maintained the assumption of an extension of the contract with Vigor. However, WSF and Vigor have not been able to come to terms on the extension. Currently, the legislature introduced HB 5760 which directs WSDOT to pursue a new procurement approach that requires a national request for proposals using up to two contracts that could be with out-of-state shipyards. This fiscal note addresses the cost changes (incremental costs) due to the change in the method of procurement from this proposed bill.
2. Additional preliminary engineering costs above the baseline: These costs include industry engagement for the revised approach, development of a new contract, improvement of Vigor's Design and conduct of pre-qualification surveys/visits.
3. Additional construction engineering above the baseline: These costs are for deployment of project consultant oversight teams (Object J) at up to two locations and for periodic visits by WSF management.
4. Changes in construction costs: The Legislature has funded the construction of the new vessels. As the project proceeds, costs will undoubtedly be revised. However, it is not feasible to forecast emerging changes. For the purposes of this fiscal note, the department reports these potential cost changes as indeterminate.
5. The impact of schedule changes on baseline costs: The delay in construction resulting from redoing the RFP will cause current costs of the five vessels to increase because of "inflation." On the other hand, using a two-contract approach may accelerate delivery resulting in earlier expenditures in less inflated periods. However, the delivery schedule is unknown until proposals are evaluated. For the purposes of this fiscal note, the net potential cost changes due to schedule adjustments are indeterminate.
6. In part, the purpose of this proposed legislation is to obtain lower costs through increased competition. Until bids from this process are received the cost savings are indeterminate.

# Individual State Agency Fiscal Note

## Part III: Expenditure Detail

### III. A - Expenditures by Object or Purpose

#### Cost Change Summary by Purpose

*Dollars in Thousands*

(Includes fiscal years 2023 through 2029)

<b>Change in preliminary engineering costs</b>	<b>\$2,352</b>
• Industry engagement for revised approach	\$20
• Development of new contract	\$320
• Improvement of Vigor Design	\$2,000
• Conduct of pre-qualification surveys/visits	\$12
<b>Change in construction engineering costs</b>	<b>\$9,567</b>
• On-site inspection teams at two locations	\$9,479
• Travel for WSF core oversite team	\$88
<b>Change in construction costs</b>	<b>Indeterminate</b>
• Impact of schedule changes	Indeterminate
• Impact of competition	Indeterminate
<b>TOTAL DETERMINATE COSTS CHANGES</b>	<b>\$11,919</b>

See attachment for cost estimate details.

## Part IV: Capital Budget Impact

This is a legislatively approved and funded capital project. The bill will have marginal impact in relation to the total approved spending.

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

The bill will not require new rules but may require amendment of existing rules.

## Implementation Assumptions for SB 5760 or HB 1846

1. The fiscal note analysis baseline is the current plan to proceed with a RFP under RCW 46.70.810-824
2. Under the proposed statute, the most likely program delivery method is Design-Bid-Build; WSF will leverage its General Engineering Consultant to assess and improve the Vigor design.
3. WSF will incorporate recommendations from recent JLARC report including adding features to reducing lifecycle costs, offering incentive payments for early delivery, reducing the minimum number of crew, making other improvements determined to be beneficial by the department.
4. WSF would award 2 contracts to accelerate production.
5. Due to in-state preference, assume that project is not eligible for federal funding
6. WSF takes delivery of all vessels in Puget Sound
7. The added flexibility in delivery method and potential for nationwide competition would result in production timelines that equal or improve upon the base case; consequently, cost escalation will not be factored into the fiscal note. Reaging would be needed within the 2023-2029 period.

Notional Schedule	Duration	Start	End	Notes
Cost Estimate Validation Workshop & Report	2 Months	4/1/2023	5/31/2023	
IFB Development - Design-Bid-Build		4/1/2023	1/31/2024	
Issue Updated RFI	1 day	5/1/2023	5/1/2023	
Prepare Draft IFB (include in-state preference, foreseeable costs)	3 months	4/1/2023	6/30/2023	
Establish SBE Goal (reciprocity for state of construction?)	1 month	7/1/2023	7/30/2023	
Industry Review of Draft IFB	1 month	7/1/2023	7/30/2023	
Prepare & Issue Final IFB	3 months	8/1/2023	10/31/2023	
Contractor Bid Development	2 Months	11/1/2023	12/31/2023	
Prequalification (complete 1 month prior to bid opening)	1 month	11/1/2023		
Bid Evaluation	1 month	1/1/2024	1/31/2024	
Contract Awards	milestone	1/31/2024		
Redine Vigor Design		4/1/2023	11/30/2023	
Develop & Negotiate GEC Task Order for Tradeoffs, Design Updates, and Specification	1 month	4/1/2023	4/30/2023	
Execute GEC Task Order				
Complete tradeoff studies for SOLAS, Underwater Radiated Noise Reduction	1 month	5/1/2023	3/31/2023	
Update Hull Lines and subdivision	2 months	5/1/2023	6/30/2023	
Update propulsion system design	2 months	7/1/2023	8/31/2023	
Confirm Charging System	5 Months	4/1/2023	8/31/2023	
Complete Final Design & Specification	4 months	7/1/2023	10/31/2023	
Update Engineer's Cost Estimate	1 month	11/1/2023	11/30/2023	
Detailed Design & Production Planning (pre-construction)	12 months	2/1/2024	1/31/2025	
Procure Long Lead Time Material Vessels #1 and #3	18 months	2/1/2024	7/31/2025	
Procure Long Lead Time Material Vessels #2 and #4	18 months	2/1/2025	7/31/2026	
Procure Long Lead Time Material Vessel #5	18 months	2/1/2026	7/31/2027	
Vessel #1 Construction (24 mos) Contract #1	24 months	2/1/2025	1/31/2027	
Vessel #2 Construction (24 mos) Contract #1	24 months	2/1/2026	1/31/2028	12 month stagger
Vessel #3 Construction (24 mos) Contract #2	24 months	2/1/2025	1/31/2027	
Vessel #4 Construction (24 mos) Contract #2	24 months	2/1/2026	1/31/2028	12 month stagger
Vessel #5 Construction (24 mos) Contract #1 or #2	24 months	2/1/2027	1/31/2029	