**At-Risk Program Management:**

**The Next Evolution in Project Delivery**

**Bill Echols:** Thanks for coming. What I want to do is go through an update. Back in 1999, this same presentation was given with the name and concept of program management at-risk. Nobody had thought about it at that time. It was a new term. What’s happened in the last 13-14 years, unless you are hearing it, I’m not hearing anybody using program management at-risk. I’m not hearing program managers.

It was interesting at lunch. Forty years ago, first of October, I started working for the HEERY Organization. I worked with them for about 11 years when George and all of the other folks were basically creating that program management concept. As I said, fighting for that middle ground for control between architecture and construction when owners were trying to control costs, trying to control schedules, trying to get a compatibility between budgets and the scope.

What I want to talk about is right now my job for the last three years or so has been as a director of capital projects for a county just north of it Atlanta. My relationship with that county goes back to 1999, using this same concept. We did a $35.5 million 512 public safety facility (jail facility). I now sit in a county administration building that was the last project I did before I joined the county.

The example I want to use is Phase I and Phase II for a facility up in Kankakee, Illinois which is on Interstate 57 just south of Chicago, if you know where it is.

As all of us have heard, every few years there’s a new name. There’s partnering, there’s integrated, there’s design/build, and all of the terms that have been coming along. My concept, or at least thinking of this going back 13 or 14 years ago, is to embrace the program management concept that Mr. Heery himself talked about a little bit and what the HEERY Organization has done to see if you can find some middle ground with accepting as I say here with a program manager who’s willing to engage early in the process to deliver planning and programming, including land selection, and then take it all the way through to operational startup, training of the personnel under a single accountability.

The way I’ve looked at this is it’s more than the traditional program management agency services. It’s a little bit more of design/build. It’s a little bit more than even the construction management at-risk. So maybe I think it’s the combination cherry picking out the better parts, the parts that everybody is more willing to embrace from a success.

I want to go through a little bit about the introduction of those delivery methods to talk about very briefly some common elements of each of them. What is the approach? How does it work? The contracting methodology, checks and balance, a summary and then a little bit of an example of the case study.

As we all know, those methods of project delivery have changed over the years. Where have we been? Where are we going? We all know that list is design/bid/build, it’s design/build, it’s bridging. CM Agency has evolved out of a need to grain greater control, but yet the contractors wanted to I think reach back and still be in an at-risk position so that they could be in a better position to control. And the project program management concept with each of them having their own individual pluses and minuses. I’m not even going to go into the selection methods about how that’s happening and focus mostly on the program management. As I say, that next evolution.

Each of those methods that I just mentioned, at least from my perspective, has been primarily construction related. It’s the contractor who offers the guaranteed maximum price. It’s the contractor that we all know has embraced the design/build concept, but they’re in the position to control what the architects design. It’s always, “You can’t do this. It’s too expensive. It’s going to be too time-consuming,” and that sort of thing.

No single methodology prior to this has really stepped in and embraced everything from planning, programming, master planning, conceptual design, final design, construction, except maybe under the program management concept where the program manager comes on early, basically as the HEERY Organization defined it, as an extension of the owner’s staff for all elements of the project.

But again, for agency, the service is the one that come the closest to doing that. But then again, as we’ve moved into the design/build, it comes a little bit closer. But looking back at the program manager’s roles and responsibilities to act an extension of the owner has really generated what I think is the next evolution of what I’m calling the at-risk program management – or PM At-Risk, however you want to put it.

In its simplest form and its definition, the program manager would be delivering traditional program management responsibilities and duties, but in a full at-risk position. In some ways, when I was marketing this before I joined the county for about ten years in the delivery of nearly 2000 beds and about 42 court rooms using this concept out of offices in Atlanta for about $275 million worth of work, the program manager assumes responsibility for the design, the planning, and the construction. But yet, it’s delivered through a program manager’s set of eyes and ears and with their training so that they’re not anymore biased to design than they are to construction; again embracing the program manager agency concept.

In the marketing of this, when you go and talk to someone about design/build, they instantly have a pre-conceived notion that the design/build is “No, that’s not what we want. We don’t have any control. The contractor isolates us. It’s a cost in schedule and contractor and construction-driven process.”

So you put a spin on it that says, “Do you embrace the design/build concept of liking the control?”

“Yes.”

“Have you used a program manager in the past?”

“Yes.”

“Well, what if you had a program manager that would assume all the contractual responsibilities and give you a guarantee for that?”

Usually the response was, “Well, nobody is doing that.”

And you’d say, “We are.”

One of the reasons I believe it worked for the firm was it was a total integrated design and construction firm. The designers were all in-house, the engineers were all in-house, and we were developing on the private sector and on the public sector the delivery of this concept, and then moved into the justice and correctional.

The general parameters of this is it incorporates all of the listed delivery methods, and when I talk a little bit more about the case study with Kankakee, we used the design/build delivery method under our PM approach. We used the competitive bidding that mimicked what the county was doing and what their purchasing policies required. We also did some interview and selection of contractors based upon qualifications and then we’re able to competitively—

**Participant:**  Are they still in business?

**Bill:** It was the facility group. They are not in business anymore. The economy and some other issues took them out. Where are you from?

**Participant:**  Right now, North Carolina.

**Bill:** The name of the firm was Facility Group in Smyrna. They are no longer in business. They delivered on the private side big warehouses, meat packing facilities and things of that nature.

**Participant:**  I think there is one firm that’s still in business **[9:05 inaudible]**.

**Bill:** We never reached out and did the financing, but we had people inside, guys that worked with me, and many of us grow up and do what our fathers did. The guy that worked with me by the name of Joe Fenton **[sp?]**, his father was a federal prison warden. When you go to the right ACA conferences, Joe would introduce himself. Everybody would look at him and say, “Are you Charlie Fenton’s son?” He would tell the story of growing up inside of the Marion, Illinois correctional institutes. He said he can still get the hair on the back of his mother’s neck to stand up because they lived inside the prison walls. He grew up in that.

He would sit in a conceptual environment of starting to plan, and as we all know, when you sit down and say, “Hello, I’m with so-and-so firm and I’m here to design your new jail. What are you looking for?” they just go blank because nobody has ever asked them those questions. He would sit with them for eight or ten hours a day talking about how they do things, talking about exterior gates and monitoring.

“We don’t have an exterior gate.”

“Well, when you pull up to your sally port…”

“We don’t have a sally port.” It was a whole new concept.

**[10:38 – 11:28 inaudible]**

The state legislature in Georgia maybe 8-10 years ago passed a bill that allowed any alternative project delivery methods to be utilized, so long as the selection of that firm went through a competitive process. You just couldn’t reach out and call somebody. You had to go through an interview. Even if it was qualifications based, you still had to go through a selection process.

We were able to use that in many cases in the state of Georgia. We were able to take it to Illinois. If we have some time, we all have those horror stories of when you’re sitting down and talking to somebody and trying to introduce a new concept.

The at-risk program manager, if I can get your heads to start thinking about traditional program management services, but really under a total turnkey.

I think in one of the sessions this morning, the guys from Washington were talking about that developers have always been doing this. They’ve always come in and can totally turnkey, usually for an office building or for a warehouse or a distribution center, so the public sector has always been a little bit envious of, “Why can’t we get it done?” and “How come somebody can’t come in and give us a total turnkey?”

So those public sector folks have been saying that they’ve been trying to get this done for years, can’t get it done, so what is the difference?

Again, using one of the conference sessions this morning who said owners have to be willing to give over a little bit of control, a little bit of willingness, to share that risk or to make that risk assignment and to move it into that position, that the program manager is there as an extension of their staff, albeit a contract, but they are totally at-risk and fully responsible. Then I want to go through the steps about how you can get that contracted. Again, it has to do with the early cost and schedule guarantees. It talks about the risk assignment. It talks about the control of the project so that you have, as I say, a goal-oriented task delivery responsibilities that albeit how it all comes together. What I’ll talk about in just a few minutes is the key to our success: a GMP document.

The process that we basically did is under two steps. The owner and the at-risk program manager sit down and jointly develop the program scope, the quality levels, the schedule, the budget in broad but defined terms so that it can all be set down in a GNP document. We’ve all faced that issue of how much money you have and how many beds you want or how many square feet. As architects, you sometimes face that early dilemma that your budget, program and schedule – none of that is compatible. You’re not going to be able to deliver under any method that many beds for that budget, so you’re fighting constantly to bring the scope back in to balance with the budget. How do you do that? As we go through this, I’ll talk a little bit about the steps of what to do.

In our GMP document, in our success of practicing it over and over and over again with the same in-house teams, we had the same folks working it again. As an in-house design/build firm delivering what I put a different title and name to it, we had what I refer to as spontaneous communication. You’ve got people talking about a problem on this job. Well, that problem is going to be solved and we’re going to take that solution.

We also had a little bit of a motto. We tried not to repeat the same mistake more than three times. You know you’re going to do it once. You’re going to kick yourself a second time when you do it.

One of the things that we talk about on Kankakee, the first phase was precast concrete cells. The second, Trussbilt metal panels. I don’t know if any of you have used the metal panels.

When we did one of our first facilities in Georgia with the metal panels, we got everything constructed, the plumber came in and we suddenly had below the shower abovewas a P-trap. You suddenly look at that and instantly know that’s got to get covered up. That’s a towel waiting to be tied to and to hang somebody. I didn’t need the sheriff to tell me that. So suddenly in the design/build concept, you’re having to figure it all out.

So the next time we did it in Kankakee, we drove our plumbing engineer – and really a plumbing designer who was a great guy. We told Chris, “You’ve got to find us another way.” On the second floor we’re certainly not dealing with ADA accessibility, so we wanted use a terrazzo shower pan in there. We said, “Something has got to happen.” If you know how the metal panel system work, there’s the rear cell and then there’s a utility corridor behind it where all the utilities – all the power, all the water – comes in. Everything we pushed to the back. Even a lot of the push-to-talk intercom system, we pushed everything to the back.

So we challenged the plumbing engineer to come up with something, and what he came up with is that there is a terrazzo base that you can make that has a rear drain on it. We said, “That’s it.” So we put the terrazzo base in there. The P-trap was now inside of the utility chase outside of the secure corridor, but it also was in the cell ceiling above.

So this is the standard detail. We tried not to make this mistake more than twice, but we solved the problem as we go forward. Trying not to reinvent the wheel every time really gave us a new thing that when we would set.

All of you have talked to your plumbing engineers and plumbers. You can also buy, where the cleanout is, you can buy with a nail with a pin in it. For those that have very difficult inmates, I don’t know if you’ve seen it, but they also have fishhooks and little grappling hooks that puts it in there. So you take the cleanout out and it’s about the side of a double head 16 penny nail.

A lot of sheriffs said, “How do we get that in our existing facility?” We literally would say, “We’ll go to the hardware store and we’ll buy us a small little blowtorch. We’ll go get us some nails and we’ll go buy some PVC and make it for them.” You’d just heat it up and stick it in there. You get a lot of credit for solving some existing problems with stuff that is, as I say, looks like Uncle Henry made it in his basement.

But the crux and the real heart of our process got down to the real governing document, which is about an 11-section GMP document. In the first section is the prime agreement for services, and that prime agreement for services sets up the process. It sets up the fact that the first change order to the contract is going to be the acceptance of a design and the specifications. All of the things that basically are set forth in the GMP document are then amended and change-ordered and accepted into the prime agreement.

We either got bold enough, crazy enough, dare I say stupid enough that when we would sit down we would be able to offer a preliminary design, a GMP document with about 15% complete documents. That’s awful risky, but we would also in the development of our GMP document in our cost estimate tell the owners that we also have a contingency. We tell them that we have a contingency for two reasons.

We don’t believe our own numbers. We’re not crazy enough to believe that our numbers are so accurate. But if it makes you feel better, if you don’t want to contingency, all those numbers are going to get bled into the individual line items. We also don’t want to start a relationship with you to tell you that we don’t have a contingency, so we would say that we have that contingency because, one, you don’t want to start off a project with people that are crazy enough to believe their own numbers and not have a contingency. And you certainly don’t want to start a relationship with people that lie to you and tell you that you don’t have a contingency, when in fact they do.

And then we would monitor that contingency throughout the document under what we referred to as just a commitment report that explained all of the work.

Certainly the facility space requirements and the square footage. The program was a part of the document so that we all knew what we were basing the design on, the square footage, the bed count, the size of the kitchen, how the kitchen operated and whether it was a warming kitchen or a full prep kitchen, medical facilities and things of that nature.

We were responsible for the property survey and the geo-technical report. Many design builders specifically don’t want that responsibility for projects, for property survey, and for geo, but we wanted that responsibility because we wanted it to be thorough enough that we had a clear understanding of what we were about to do.

The thing that’s interesting is that we would basically self-bridge. We would provide preliminary design development documents inclusive of the engineering systems, basically in accordance with the program above. As Mr. Heery talked about, their bridging documents really did not include a lot of engineering systems, but ours did because we wanted clearly security electronics to be well-defined. We would spend a lot of time early on talking about recording systems, talking about camera systems, talking about the entire governance and management of the inmates. How can you do that at only 15% document phase?

You spend an awful lot of time with sheriffs and chief deputies and jail administrators. For all the jails that I’ve done, I’ve had sheriffs that were absolutely never involved in the process to the sheriff in Kankakee where when we sat down with Phase II, I remember spending half-a-day, close to four hours, with the sheriff and getting his personal input along with the chief jailer for what every single door in that facility requirements were going to be.

We also included in our GMP document a preliminary outline specification of the architectural and engineering system, so again that there was a clearly-defined scope of what we were responsible for, what we were going to deliver, and so that we could price that document. We also had the very beginnings of a room finish schedule: what was going to be bare concrete, what was going to be painted, what was going to be carpeted.

Then we would also go into an FF&E and would establish an FF&E allowance. But we would also be early enough into the document that we would have an FF&E listing from chairs to tables what was true FF&E, what was security equipment, and all of that was defined in the document under that section.

We then had a project management plan and a strategy for bidding and selecting the construction contractors, and through our process, we would have given a hard GMP document. Again, it would have been change ordered into the prime agreement and then we would turn around and competitively bid all of the bid packages. We would place an advertisement that would run for 30 days in the local paper, be it a project in Georgia or the one in Kankakee.

We would then have a pre-bid conference. We did not make it mandatory. Then there would be a public bid opening. And in order to maintain the credibility and the level of trust that we were getting ready to open up the bidding documents for electrical or plumbing or roofing or things of that nature, the sheriff staff and their project manager, when we would sit down for the bid opening, at that time about ten minutes before the bids would be open, I would give them a sealed envelope of what I expect the bids to be.

So if we were going to open bids for electrical and we had estimated electrical work to be $950,000, they knew whether or not we had a train wreck or whether we had a good bid, and if bids came in over $1 million, they knew that it was our responsibility to still deliver the same scope, but they also knew that if it came in at $900,000, that there was a $50,000 savings, at least under that individual bid component that would roll back down into the project contingency to offset any of the future bidding as we went forward. But that competitive bidding process of how we were going to go forward, again, was included in the GMP document.

Then of course we had a proposed preliminary master project schedule of going forward, what was the design, what were going to be the individual bid packages that we talked about, and then there would be a detailed cost estimate, our guaranteed maximum price including any exclusions, alternatives, allowances, clarifications and certainly a contingency. All of that was fully defined.

And when we sat down and talked to sheriffs or talked about project managers or talked to country facility managers, they would talk about the building process and the bidding process. We would tell them what’s going to be new to them and what’s going to be different. It’s going to be a fully substantiated building process and bidding process that was tracked from “here is or GMP estimate that explains all of the various categories, here is the bid package/bid tabulation that we opened bids and received five bids for roofing, four bids for painting, six bids for electrical and that you now know what that contract amount is” so that when the schedule of values comes out using a traditional AIA G702 and 703 using the standard forms, they would see a fully substantiated inch to inch-and-a-half thick document that told them that the painters’ contract amount matched what the bids were that were open and the names matched and things of that nature going forward so that there was a full accountability as we moved forward.

But the proposed guaranteed maximum price for us was a two-tier approach. We took all of our professional fees that will be defined in just a minute separate from the cost of work. In the professional fees for design, project management, program management, on-site supervision, all of that was captured in a lump sum, fixed fee that would not increase or decrease, and then all of the cost of work including the FF&E was a straight pass-through based upon competitive bidding. And as it talks about later, we shared no savings. One hundred percent of the savings was never returned, because we never took it, remained with the county under their budget. I think we heard that in some of our earlier presentations this morning.

Then the step two process is simply the implementation of it. As I said before, on the Kankakee project, in Phase I and in Phase II, we were able to utilize the strict competitive design/bid/build process for the security electronics for Phase II. We were allowed to reach out to the security electronics firm used in Phase I to use a design/build. The use of that design/build approach for the security electronics guaranteed for the sheriff, guaranteed for the county, that they were going to have a system that was compatible that moved forward, but it also was reflected in a deduct of our design fee that was openly displayed as a credit to them under Phase II so they didn’t feel we were double-dipping on the Phase I for the design of the security electronic system, and in Phase II we gave them a pretty sizable credit back because we were not going to be responsible for that.

Again, trying to set up the fees and the budgets, looking at the project management fees for program management, project management, design and engineering, survey, geo-technical construction phase testing, materials testing where they were copied on all test reports, pre-construction services for the design, estimating, getting to the preparation of the GMP document, construction phase, general conditions for on-site supervision, overhead profit including our risk fee and profit for the project, and all of those things were listed over about an 8-10 page document that fully identified positions with names and résumés that we contracted in for those services.

Then those services were presented, as I said, they were discussed, agreed to, and negotiated between us and the owner based upon the program and the cost. Those tier one fees for professional services, a schedule of value was then developed with a line item breakdown for each of those services. It wasn’t just simply those fees divided by the total duration of the project because we had as much upfront design services that we needed to bill for that we also needed in the back end of the project under construction for on-site supervision.

In each of those things that we line itemed, we did a cash flow schedule of what the billing would be for the first six months for design and then the rest of the project for on-site construction administration services. We then tied the overhead and profit pretty much as a straight line across or a percentage of what was being billed that month. Then certainly when it got into construction, we showed a schedule for the construction phase.

Phase II was a direct reimbursement of all project cost for construction FF&E were a straight pass through to the owner under a fully substantiated billing process is that we explain if the roofer is not billing us for any money that month, there would be nothing in the application for payment for roofing as we went forward. Again, as I said, no shared savings. All of that remained in with the client.

One of the things that I’ve put in the presentation that I’ve not quite been able to sell but it was an interesting incentive-based process where the at-risk fee could be increased by maybe an additional 1%. The way I simply define it is that the first quarter percent is based upon meeting a predetermined well-defined start date for construction, not just the turning of one shovel of dirt or the pouring of one yard of concrete. Based upon predetermined criteria for the project starting an incentive for an additional 1% for billing, you get the first quarter percent.

The second one might be based upon meeting all substantial completion dates that you can house inmates, you can begin to take emergency 911 calls, things of that nature.

The third one could be based upon meeting all budgets or returning a set amount of savings so that you are tied to financial.

Then the last quarter of percent, just for interest, as we all know is we try to get out and market it. If you've got something that differentiates you from everybody else that last quarter percent would be based only upon the client’s satisfaction.

In the example that I use, gaining that last quarter percent is either going to be easy or most difficult. In some explanations, you may clearly have won the first three quarter percent fee but it may have been such a difficult, painful process for the owner that if the last quarter he says, “Yeah, you met all your goals but it was just too difficult to process,” or it may have been something that the project itself was so difficult but that that was a meaningful relationship, a collaborative process that you missed one or two of the earlier goals, but that the owner engaged the process so favorably and viewed all of the efforts that you may gain only the last quarter percent just for good measure and for good efforts.

When you talk about total turnkey of put in the designer, the program manager, the contractor, and all of that into a single entity, how do you guarantee that you have a checks-and-balance system that controls the budget, the schedule, and all of those things, keeping everybody involved?

One of the things that we went through, not only through the open book process but the concerns for the checks and balance is the fact that the competitive pricing for all of the purchasing of construction was not through a selected group of folks that we determined should be involved with the process. We said that the control of the cost, the control of the pricing, the control of the project was all going to be done through a competitive bidding process that mimic what the county was going to do.

What we found in a couple of instances, particularly in Kankakee is that – and all of us do that when we go into a county that there’s a few favorite sons, there’s a few favorite contractors that have done all of the work. They would ask us the question about, “Are these guys going to be invited to bid on the process?” What we would always say is that everybody gets a ticket to the dance. Everybody gets invited. Everybody can be a willing participant.

But what we also found – it was interesting – is that the people that had been doing a lot of that work through a direct selection of an open-ended contract to doing it over and over failed to submit a bid. We think that in some cases, they were a little bit concerned that the pricing structure that they had been using for the last ten years was not going to be as favorably viewed or not going to be competitive and things of that nature.

But we also found that there were some unintended benefits for how we did the construction management as contractors at heart under the design/build program management process, because Kankakee is in the northern part of Illinois, just south of Chicago, we basically knew that we were going to be driven by winter conditions. We knew that it was going to get fairly cold in northern Illinois, so we told all the contractors that we would provide all the temporary heat. We would provide that at no cost and that they would therefore be required to continue to work through the winter months and that that schedule was based upon it.

You do that because you want the job done on schedule. You do that because that cost is included in the project. Temporary gas running temporary lines and things of that nature became a fairly cheap price in order for continuing the process.

But then when you sit down with the sheriff and he sits down with you one day at a meeting and he looks at you and says, “I just want to tell you that I was at the grocery store with Brenda the other night. The cashier clerk looked at me and asked, ‘You're the sheriff, aren’t you?’”

He said, “Yes, I am,” and sort of cringed as all of us might, wondering what the next statement was.

He said that the cashier at the grocery store said, “I just want to say thank you because if it wasn’t for your project, my husband wouldn’t be working through the winter months because usually they send him home and he didn’t have a job.”

So you think, “Okay, that’ll work.” That was during Phase I. We took that and banked that good news to move in to Phase II as we move forward.

The added value we think of the at-risk delivery is the single point of accountability in the delivery of the process. They engaged us in the early confirmation and early guarantees for scope of all the sheriffs and the chief deputies that we did work for. But it was about a clear explanation of what they’re getting, how is it going to be delivered, what the responsibilities are of everybody, and how involved are they going to be. As I said earlier, some sheriffs don’t want to see it. Others would want to be fully engaged in Sheriff Bukowski in Kankakee fully embraced the process as we move forward.

As we get into Kankakee – it’s about 60 miles south of Chicago – the first phase was 312 beds for 19,500 and you just never know what you're going to do when you get into a project and you do the things. For everybody’s information, Kankakee is also the home of former Governor Ryan who serves some prison time as the governor of Illinois. At some point, you sort of cringe and wonder how that’s going to go. Is the man who basically provided the funding for this under a state grant also going to need a special room reserved for him before he goes to prison? But luckily, he never showed up. It was just a little interesting piece of trivia there.

As you go through the evolution of what we’ve heard and why we’re all here is that design/bid/build is a process that works. It can work, as we’ve heard. Design/build got a little bit better. Just as I’ve said, the at-risk program management I think provides an enhanced level of services that include early planning for the design, for the master planning. It offers and at-risk position with a guaranteed maximum price for total responsibility. But it’s lead not by designer, not by a contractor, but by a program manager who leads that.

Under this professional services circle that we see here and how we all want to develop it and market it, it basically includes single point of responsibility, the guaranteed maximum price, fast track phased, competitive pricing, but the increased opportunity for local contractor and subcontractor participation. It should come as no surprise that Kankakee, just being in the shadow of Chicago, how was it driven relative to union participation?

One of the requirements that they placed upon us was that there’d be a project labor agreement. That project labor agreement would be a requirement that every subcontractor that signed on also had to be a signatory to a project labor agreement. As the program manager at-risk, we’re not self-performing any work. We were not required to be a signatory to that.

In that process, we also were complimented by many of those labor relation organizers and officials. When we went through Phase I and completed Phase II, they said in public grand opening ceremony that it was the smoothest labor relations project that they’ve had in their 30-year history.

The other benefit of going through Phase I and Phase II through a competitive process is that virtually all subcontractors in the local Kankakee County area ended up getting a piece of either Phase I or Phase II. So everybody was able to gain some benefit from the project. They were able to be a participant.

When you sit down, you may remember that when this project was starting about 2003-2004, everybody in the state of Illinois seems to go through continuing bases of financial problems. They had just shut down a new women’s prison that was going to be built in Central Illinois. When were having the pre-bid for the structural steel system, we had the local steel fabricator who was not more than three miles away ask a question in the pre-bid. He asked, “How soon can this project start?”

We explained that the bids are due next week and this is the process. “Depending upon the bids that we get in and if they're within budget, we’re prepared to offer an immediate notice to proceed. For all planning purposes, within ten days from today we’ll have you on the contract if you're the successful bidder.” We asked, “Why? Is there a problem?”

He said that they have shut down the women’s prison. He said, “I have just laid off my entire company. I am the only one. This project means a lot.”

When it was all over, they were the successful steel fabricator for Phase I and also for Phase II. You get those favorable benefits for folks who are local with a high level of local participation that really drove home the stuff.

But you also get benefits from the right people. As we’ve all heard, if you've got the right people doing the right job under the right circumstances with the right frame of mind, it all works.

We had a superintendent who was based there on the job. We moved him up from Atlanta and he was on-site. He was out moving some barricades on one of the roads in order to get access to the concrete trucks or whatever he was doing. One of the guys walked up to him and told Jimmy, “You really shouldn’t be touching that. This is a union job. You shouldn’t be doing that. We’ve got that contracted.”

Unbeknownst to this guy who was sort of jabbing him in a little bit of humor didn’t realize that Jimmy was out of Buffalo and Jimmy proceeds to pull out a union card out of the Buffalo Niagara Falls Hall.

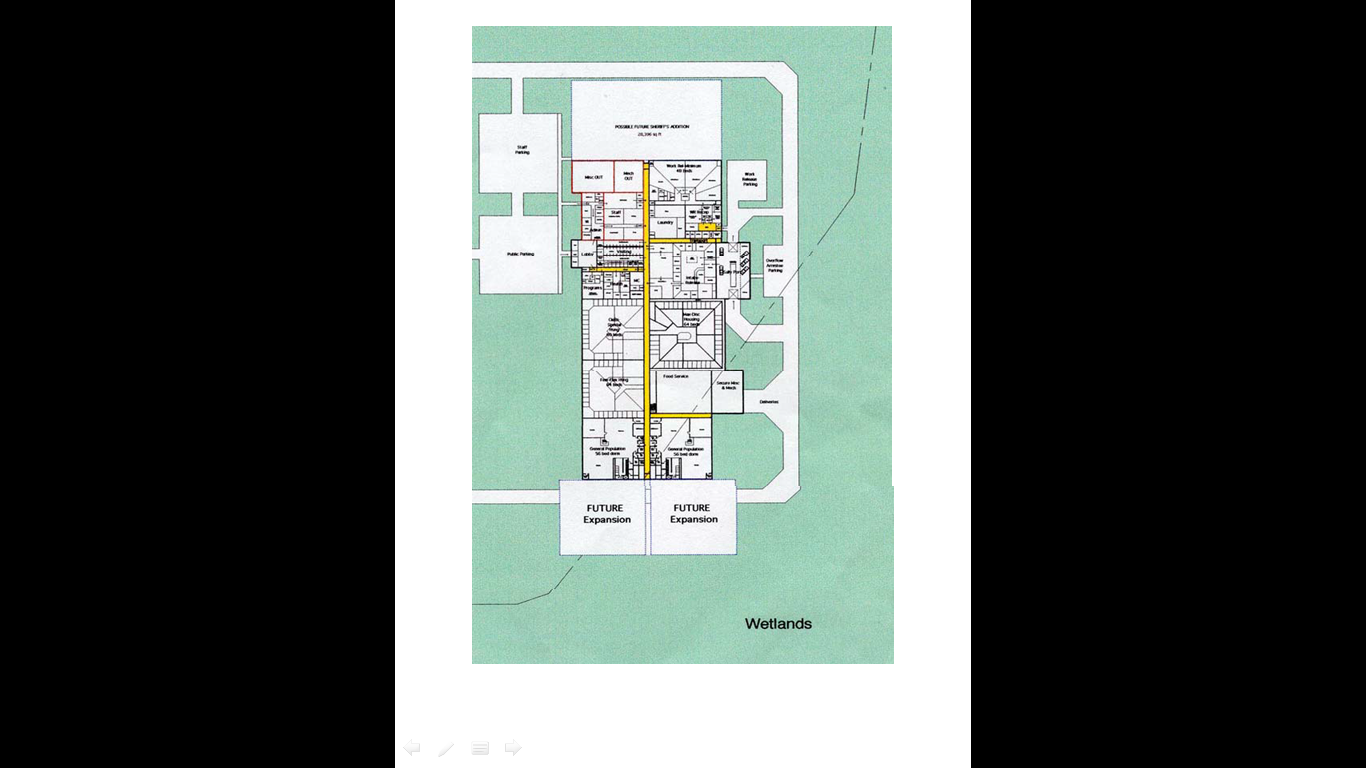
The guy said, “I was only joking with you, but it’s nice to know that we’ve got some union representation.”

You find out that there’s a relationship, there’s camaraderie of how it all comes together.

As you look at all of these charts that we’ve all seen before about the planning and the implementation and things of that nature, we’ve also heard in the discussions that the earlier you can make a decision, the less impact it’s going to have on the cost, and where this green and blue line cross is when it changes from planning into implementation. That really is the point upon where they cross is where the GMP is really going to be issued.

So if we can make an earlier decision, that’s going to help us. You can see in this chart that we’re a little bit left-of-center in the development of our GMP document, so that if the costs are a little bit higher, or the GMP of the design is not going to be compatible, we have that opportunity to make those changes before we sign the GMP.

A little bit specifically about the Kankakee County project, it was a green site. Phase I was 312 beds, approximately 92,000 square feet. A separate sheriff’s office was built under a separate contract using the same process that we used for the jail for Phases I and II. The county has adopted that as their preferred method of project delivery.



If you look up at the top, you see a large white rectangle that in the planning process we originally had the jail moved all the way up to the front, and the sheriff comes to us as we’re doing the planning and things of that nature. He asks, “Can we move it back?” because that’s where they’d like to put their future sheriff’s office. Knowing that at the time we hadn’t started any construction and we moved it down so that it allowed for the sheriff’s office to be added to the top and then you can see the future expansions down to the bottom.

The 19,500 total GMP contract had about $100,000 worth of project improvement poured into it for enhancement and as design builders, going back to the rule that we tried not to make the same mistake more than three times, we were just finishing the jail in Cherokee County where I work. We were using sort of an epoxy-applied finish to the kitchen floor. About the time that we were getting ready to install the similar floor for Kankakee, we were beginning to install the kitchen floor in Cherokee for the second time.

We had decided that we were not going to eat that cost. We were not going to have to jump on a plane. So we went to the project manager and to the sheriff.

We said, “We’d like to change it from the applied epoxy finish. We’d like to go ahead and depress the slab and put a quarry tile floor.”

They looked at us and asked, “How much is that going to cost?”

I said, “It’s an add of about $12,000, but we’d like to go ahead and do it.”

We were truthful and we explained the problem we were having with the floor. It’s what we recommended. It’s what we thought we ought to do. We told them for selfish reasons that we didn’t really trust that flooring and we’d like to put in a traditional quarry tile.

They looked at us and asked, “If that’s going to come out of contingency, what if you get down and you're short $12,000?”

We told them, “It’s our risk. It’s our responsibility and we want to do it.”

So we did that, and we still ended up returning to them about $125,000 of unused monies as a part of the completion of Phase I. But it had a combination of two-bed cells. It had a number of single-bed cells because at one time, the Kankakee jail had 30 inmates charged with capital murder in the facility, and so they had a little bit harder population that would require a single bed. Then we had some open dormitory beds.

The first project used precast concrete cells. Going back to us trying to garner as much open competitive process that we could, we put out an early bid package for the purchase of the precast cells that told the cell manufacturers that we only needed a minimum unencumbered square footage to meet ACA requirements inside the cell. We don’t care how wide it is, how square or rectangular it is.

That allowed us to get bids at the time in late 2002 five precast contractors because we were not dictating the size of the cells. They were able to use whatever their forming system and we were able to award a contract again in the same general area. I believe the precast contractor’s name was Raider out of West Burlington, Iowa. They are no longer in business because one of the things that took them down, that took about a year or so was the closure and the shutdown of the women’s prison that was going to be built.

So we were also able to then award and purchase the precast cells. That information and dimension and requirements were then given to the architectural team and they were then able to adjust the final dimensions of the structural steel system around the precast panels that we were going to purchase.

We had also learned something from the completion of a couple of earlier jails in the use of precast concrete where we had not purchased the cells as early as we wanted to and just because you learn as you go along on a couple of the earlier projects before Kankakee, is that we had already installed all of the underground plumbing. And I don’t think it’s of any surprise that if the plumbing is already in place and you set the precast concrete cell down, at that point where you've got a buried PVC pipe, sanitary line coming up to connect, if you're off just by three quarters of an inch, sometimes 1 to 1.5 inches, it makes for an odd connection point.

In this project, for Kankakee, we decided that we’d be a little bit smarter. We went ahead and purchased the cells early. But we also did an early package as part of the construction package for the slab on grade is that we went out and required that all of the foundations, which were about a 14-inch thick concrete slab that would support the cell, were installed first.

It also aided us, as you sit down with a construction team that’s all in-house, you get a superintendent, an assistant superintendent, and a field engineer sitting with you. They also look at you and say, “Thank you because now I don’t have to worry about where the crane is moving on the job because they're not moving and driving over buried pipe that could be damaged.”

Of course, when you've got the pipe starting or connecting to a utility line and a utility chase and a precast cell that’s already been installed, you make a much tighter connection and it moves forward.

But you also get some interesting things as you move forward in union territory. We went to the labor relations folks and said, “We’re buying these precast cells. They're going to already come preassembled. We just want to make sure that that’s not going to violate anything that you're going to allow us to set those cells without being a trouble.

We learned a couple of things. They said, “No, that won’t be a problem for two reasons. One, it’s not a problem. That’s no different than buying an air handler unit that sets on the roof. We understand that things get pre-manufactured. The other reason that we’re going to do it is because you came to us and asked us. Because you asked us beforehand if it was going to be a problem, we knew that this question was coming but it’s good to know.”

One of the things that did get us was that the precast manufacturer was using their own trucks to deliver and they were not Teamster drivers, so when they showed up to deliver, the driver was allowed to get out of the truck and stand on the running board but he was not allowed to put a foot on the ground. At that point, we had to hire a Teamster from the local hall who basically was a traffic cop, brought him into the job, backed him back up.

We looked at that and somebody asks, “How much is that going to cost us?”

We said, “That’s not going to cost you anything under the guaranteed maximum price.”

We never had another labor problem. That’s the closest that we had to any labor relation. We thought at some point and some other folks thought that a bunch of Georgia boys going to Northern Illinois not knowing what union was going to be could be quite difficult.

Looking at this, when you calculate 92,000 into about 19 million, you get about $206 or $207 a square foot. In the jails that we built after Kankakee with union labor, we were never able to again achieve the level of quality in finishes that we got in Kankakee for that price per square foot. It was interesting to compare the cost of what we were doing up there.

The other thing that we used to wrap the outside of the building was the fact that we used pre-engineered metal panel systems that wrap the building. We used rooftop units. Then the Phase I included administrative offices. You’ve seen some preliminary concepts, architectural services. Again, we use self-bridging. Preconstruction services included the bid packaging for scope documents.

They also recognized that the local Kankakee building department didn’t have the expertise for plan review, so we were also contracted and had line item cost within our GMP that we went out and hired an outside technical consultant out of the Chicago area that would do the bid review, the plan review. They would then turn to the local governing building authority and say it’s acceptable issue to permit. We didn’t squawk at that. They asked us if we would do that and we proceeded to do that.

For construction services, we had a full-time superintendent on staff. In Phase II, which began just very shortly within four months after the completion of Phase II and you see that conceptually and schematically added in, we returned almost $800,000 of savings on a $13.5 million project. In that whole $800,000 was, in essence, all of our contingency because in our pricing for Phase II, we went back to the same local contractors that had done Phase I and said we’re going to do Phase II. It’s the same quality level, it’s the same details.

The pricing, the preliminary cost that they gave us is that they were looking at for preliminary design documents, very rough schematics. We were not even required to use any of the $800,000 of project savings and we were able to return $150,000 of that early back to the sheriff that made his day just by super coincidence because the sheriff’s office addition on the front wasn’t going as well as what they had hoped for and they were looking for some additional money for FF&E. So when we released that money on that day, it literally was a day before the sheriff was going to ask for that.

But the 144 beds was a combination of two-bed cells, open dormitory. In most of what is happening for Phase II and what they continue to do is they lease those beds to the U.S. Marshall Service and they are generating all but $2 million of their annual budget to operate the entire sheriff’s office just on the renting of those beds.

But again, the second phase also included some shelled-in space for a Phase III that we thought was going to move fairly quickly. It has not started. They're not sure when that’s ever going to start.

Here’s what we talked about. We provided a deduct to the owner of $250,000 off design fees because we used accurate control. If you know T.J. Rogers, we used him on about four different projects and we found him on the Kankakee Phase I just through blind luck. We’ve used T.J. on several other projects. He was able to offer again under our PM at-risk approach, a design/build and a guaranteed price to do Phase II.

As I said, we used the same Phase I local company for structural steel. The pre-manufactured insulated metal wall panels were by Trussbilt installed by Norment at the time. Because we were starting Phase II in May, we knew that we were not going to be able to get under roof in time if we had to wait for precast concrete cells.

So we were able to take the sheriff and county commissioner chairman to some sites and some locations to look at the Trussbilt install system and then we were able to get their approval to use that. The permitting used to consult as I mentioned in Phase I for Phase II. We still competitively bid all the concrete, all the finishes, roofing, insulated metal panels. FF&E still had on-site supervision. The use of the insulated metal panels allowed the construction to proceed into the winter months, and they achieved the design and intent that the owner did not want it to look like a jail as the motorists pass Exit 208 off of Interstate 57. They achieved the look that they wanted. They allowed all of the competitive bidding process.

Phase II commenced in May of 2005, four months after the completion of Phase I. It was opened the next summer, completed two months ahead of schedule. Because they were renting space to U.S. Marshalls, it was a revenue-generating facility. So the completion two months ahead of schedule allowed them to start taking inmates for the U.S. Marshall Service much earlier as they moved through.

I’ve got some other projects that we’ve used, but that basically concludes on the process. In summary, it goes back to having the right people doing the right thing at the right time for the right reasons. It just has a different name.

I don’t know if anybody else is using a PM at-risk concept to design, how they're delivering. Everybody calls it turnkey or they call it design/build or they call it something else. At the time with the company I was with before I joined the county, we found that it was a little bit of a marketing differentiator for us when we sat down and talk to folks going forward.

That concludes the presentation. Thank you.