ILLINOIS COMMUNITY COLLEGE
CFO SPRING 2010 CONFERENCE
DANCING WITH CONSTRUCTION FIRMS – WHAT ARE YOUR OPTIONS?
CONSTRUCTION MANAGER VS GENERAL CONTRACTOR
APRIL 30, 2010
Agenda

- The Players
- A Major Decision
- Two Options (Plus One)
- Summary
- Glossary
The Players

OWNER

OWNER'S REPRESENTATIVE

DESIGN PROFESSIONAL
Architect
Engineer

CONSTRUCTOR
Construction Manager (CM)
General Contractor (GC)
Construction Professional

- Builder, General Contractor
- Construction Manager
- Preconstruction Services
- Cost Control
- Schedule Control
- Quality Control
- Motivation Factors
  - Completed Project
  - Satisfied Client
  - Profit
A Major Decision!

- Big $ - Big Risk
- Largest Purchase Ever for Most
- Long Relationships
- More Than Price
  - Trust
  - People
  - Comfort Level
  - Quality
  - Reputation
- Issues That Drive Decision
  - Schedule
  - Cost
  - Quality
Two Major Options

COMPETITIVE BID

VS.

NEGOTIATED AGREEMENT
Lump Sum Competitive Bid

- Primarily Based on Price
- Requires Complete, Unambiguous Documents
- Possible Adversarial Relationship
- Often Longer Schedule
- Lowest Cost
- Open Versus Restricted Bidders List
- “Bid Room” Atmosphere
OUR SCOUT FOUND THESE BROKEN HUN ARROWS ON THE TRAIL... WHAT DO YOU THINK IT MEANS?

IT MEANS THEY BOUGHT THEM FROM THE LOWEST BIDDER
Cost Summary

Preconstruction Services $____________
General Conditions $____________
Professional Fee ____________%
Mark-Up on Self-Performed Work ____________%
General Liability Insurance ____________%
Savings / Split Owner/CM
Mark-Up on Changes
  For Subcontractors ____________%
  For General Contractor ____________%
Performance Bond ____________%
## General Contractor vs Construction Manager as Agent vs Construction Manager at Risk

<table>
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<tr>
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<th>General Contractor</th>
<th>(CMa) Construction Manager as Agent</th>
<th>(CMAR) Construction Manager at Risk</th>
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<tbody>
<tr>
<td><strong>Types of Projects</strong></td>
<td>Varies</td>
<td>Large Scale Projects with Tight Budget or Schedule</td>
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<tr>
<td><strong>Contract Type</strong></td>
<td>Lump Sum (Based on Price)</td>
<td>Agency (Based on Qualifications)</td>
<td>Negotiated with Guaranteed Maximum Price</td>
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<tr>
<td><strong>Project Organization</strong></td>
<td>Formal (Through Architect)</td>
<td>Team Concept</td>
<td>Team Concept</td>
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<tr>
<td><strong>Overall Project Time</strong></td>
<td>Longer 100% Design Required</td>
<td>Shorter (Fast-Track)</td>
<td>Shorter</td>
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<tr>
<td><strong>Project Personnel</strong></td>
<td>Selected by GC</td>
<td>Determined at Time of Proposal</td>
<td>Determined at Time of Proposal</td>
</tr>
<tr>
<td><strong>Preconstruction Services</strong></td>
<td>None</td>
<td>By CMa Budget and Schedule</td>
<td>By CMAR Budget and Schedule</td>
</tr>
<tr>
<td><strong>Subcontractors</strong></td>
<td>Work for GC</td>
<td>Work for Owner (Competitively Bid)</td>
<td>Work for CMAR (Competitively Bid)</td>
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<td><strong>Financial Risk</strong></td>
<td>GC</td>
<td>Owner</td>
<td>CMAR</td>
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<td><strong>Contract Savings Clause</strong></td>
<td>100% to GC</td>
<td>100% to Owner</td>
<td>Savings Split</td>
</tr>
<tr>
<td><strong>Fee &amp; General Conditions</strong></td>
<td>Unknown (In Lump Sum)</td>
<td>Determined at Time of Proposal</td>
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</tr>
</tbody>
</table>
Glossary

**Definition – Design/Bid/Build**
The Owner engages a designer to prepare the design of the complete facility, including construction drawings, specifications and contract packages.

Once completed, the design package is presented to interested general contractors (GC), who prepare bids for the work, and execute contracts with subcontractors to construct various specialty items. In many cases, the contractor submitting the lowest responsive bid is selected to perform the construction. *

**Definition – Construction Manager as Agent**
“Agency” CM is a fee-based service in which the construction manager is responsible exclusively to the Owner and acts in the Owner’s interests at every stage of the project. *

**Definition – Construction Manager at Risk**
“At-risk” CM is a delivery method which entails a commitment by the construction manager to deliver the project within a Guaranteed Maximum Price (GMP). The construction manager acts as consultant to the Owner in the development and design phases, but as the equivalent of a general contractor during the construction phase. When a construction manager is bound to a GMP, the most fundamental character of the relationship is changed. In addition to acting in the Owner’s interest, the construction manager also protects him/herself. *

* From Construction Management Association of America