

# Construction Management At-Risk

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Alternative Project Delivery Methods  
5/11/04

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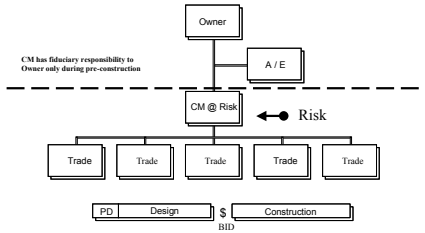
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# CM @ Risk

*The CM @ Risk project delivery method is used to select a  
CM @ Risk by an RFP process based on qualifications*



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# CM @ Risk

**LEGAL FRAMEWORK:**

- > No appellate review since enactment of statute establishing selection of construction managers (1974).
- > Competitive Bid required for school construction projects of more than \$15,000.
- > Construction Management Contracts not required to be competitively bid (Gov. Code, Sec. 4525 [1974])
- > CM @ Risk a Construction Contract or a Construction Management Contract?
- > City of Inglewood-L.A. County Civic Center Auth. V. Superior Court (1972) 7 Cal.3d 861
- > Contract Validation Action
- > Illegal Contract vs. Public Contract Code 5110

**Process:**

- RFP per Gov. Code 4525/4526
- Pure CM-Prepare Bid Packages
- Public Agency Competitively Bid Trade Packages
- Establish GMP after trade package bidding
- Assign Trade Contracts-Dual Oblige Bonds
- Validate CM @ Risk Contract

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# CM @ Risk

**PROS:**

- The CM manages the trade contractors in lieu of a general contractor (GC). By way of an RFP process, the District can pick their CM instead of relying on the services of whoever the low responsive GC bidder is.
- The owner has a defined requirement and a fixed price from trade contractors based on complete documents (change orders depend on documents being complete and free from errors).
- Clients have a professional construction manager on their side to represent the District's interest, and a single point of contact.

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# CM @ Risk

**PROS:**

- The multiple trade construction contracts are fixed-price after competitive bidding.
- The scope can be broken down into smaller contracts, which will minimize duplication of mark-ups and minimize overhead costs.
- Quality of contractors and the competitiveness of their bids are enhanced because the organization and abilities of a good construction manager provides a more efficiently run project.

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# CM @ Risk

**CONS:**

- CM costs will be higher, however the end result should provide reduced costs of the overall project.
- The CM will have to provide insurance for the overall cost of the assigned work, which would not be a cost to the District if they were to contract directly with the trade contractors.
- Some parties have challenged the legality of the "CM @ Risk", so the District needs to recognize they could be subject to such a challenge.

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# CM @ Risk

## ***FACTORS IN SELECTION OF CONSTRUCTION MANAGER:***

- CM must have a valid contractor's license in order to provide "CM @ Risk" services.
  
- Select a CM who has a strong presence in the community as a builder, who could not afford to damage their reputation by failing to perform in the education marketplace.
  
- Select a CM who has the "in - house" capabilities to provide estimating, value engineering, constructability, logistical planning and scheduling services.
  
- Base your selection on the individuals that the firm is willing to commit to your program. Their services will only be as good as the people on the front line.

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