CAPITAL FACILITIES CONTRACTING

Board of Trustees Retreat

July 2010
Major Maintenance (MM)

• Between FY05 through FY10 (through May 2010):
  ▪ 72% of MM contracts (136) were awarded to resident contractors
  ▪ 28% (53) were awarded to non-resident contractors
  ▪ 57% of the funding ($8.8 million) was associated with resident contractors
  ▪ 43% ($6.7 million) was associated with non-resident contractors

• Therefore, resident contractors historically benefit from the strong majority of MM contracts, but those contracts tend to be lower dollar value:
  ▪ $65k average for resident contractors and $126k for non-resident contractors

• Note: a sizeable amount of funding for major maintenance projects was conducted internally for the purchase of materials and supplies - $8.9 million over the period reviewed.
Biennial Major Maintenance Contracts

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<th>2005-06</th>
<th>2007-08</th>
<th>2009-10</th>
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<tbody>
<tr>
<td>Resident Contractors</td>
<td>79</td>
<td>22</td>
<td>35</td>
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<tr>
<td>Non-resident Contractors</td>
<td>30</td>
<td>11</td>
<td>12</td>
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Major Maintenance (MM) - Explanation

• MM expenditures during this time period only include external contracts.

• Numerous categories of expenditures are not included:
  ▪ Funds allocated to larger capital construction projects (~$9M)
  ▪ Internal charges for UW physical plant labor and equipment
  ▪ Contract administration and overhead
  ▪ Materials purchased directly by UW
  ▪ Incidentals
UW Capital Construction

• In the past 4 – 5 years, UW has initiated 17 major capital facilities projects on campus:
  ▪ So far, 336 construction contracts or subcontracts have been awarded through these projects, totaling $171 million
  ▪ 42% (140) were awarded to resident contractors as defined by the Dept. of Employment
  ▪ 58% (196) were awarded to non-resident contractors

• In terms of the magnitude of the contracts and subcontracts:
  ▪ 44% ($75 million) were awarded to resident contractors
  ▪ 56% ($96 million) were awarded to non-resident contractors
UW Capital Construction – Additional Notes

• In contrast with major maintenance contracts, the average award for resident contractors is higher ($538,000) as compared to the average non-resident contract ($490,000). But, non-residents received a majority of the recent contracts.

• During the same time period, $12.9 million was awarded to private design firms. All design firms had some connection to a Wyoming office or firm, but may have relied on non-resident expertise as well.

• A review of the 196 contracts or subcontracts awarded to non-resident contractors, demonstrates that 31 of those related to products or systems that were not available from Wyoming sources.

• Since large project cross multiple fiscal years, annual assessment offers little insight.
Challenges to Resident Contracting

• The inclusion of federal funding, including ARRA and AML funds prohibits resident contractor preferences from being applied:
  ▪ $27 million in 2011-12 major maintenance funding
  ▪ WY-CUSP, HPG-ATC, and other buildings on campus which benefit from federal funds

• NCAR-Wyoming Supercomputing Center (NWSC)
  ▪ This facility is being constructed by NCAR, not the State of Wyoming

• Projects that require resident contractors to successfully compete against larger companies (bonding) or firms with deeper expertise in a very competitive economic environment:
  ▪ BSL-3 Lab
  ▪ NWSC
Challenges for UW Contracting

• Must comply with all federal and state requirements

• Ensuring selection of proposal that fully meets the functional and programmatic specifications

• Balancing items #1 and #2 with efforts to cultivate resident design and construction expertise and build human resource depth that advances Wyoming firms
Strategies Going Forward

• Project sizing and use of alternative delivery methods such as CMAR
  ▪ Use of CMAR on large projects can actually increase the likelihood of resident subcontractors
• Strategic advertising
  ▪ Make resident contractors aware
• Implementing contractor pre-bid meetings on large projects to ensure a robust knowledge of the project expectations
• Encouraging competitive bidding of resident contractors
• Employing preferences in facilities constructed with state or private funding, e.g., SER building, Visual Arts Center, Downey Hall renovation, Berry Center, Joint UW-Casper College facility
• Legislative options, as discussed in the Jt. Minerals Committee: (a) increasing (or removing) the resident contractor preference; (b) tightening resident contractor qualifications; and (c) increased enforcement of resident labor, taxation, and licensing requirements.