

# Design-Build & Maximizing Your ESSER Funds

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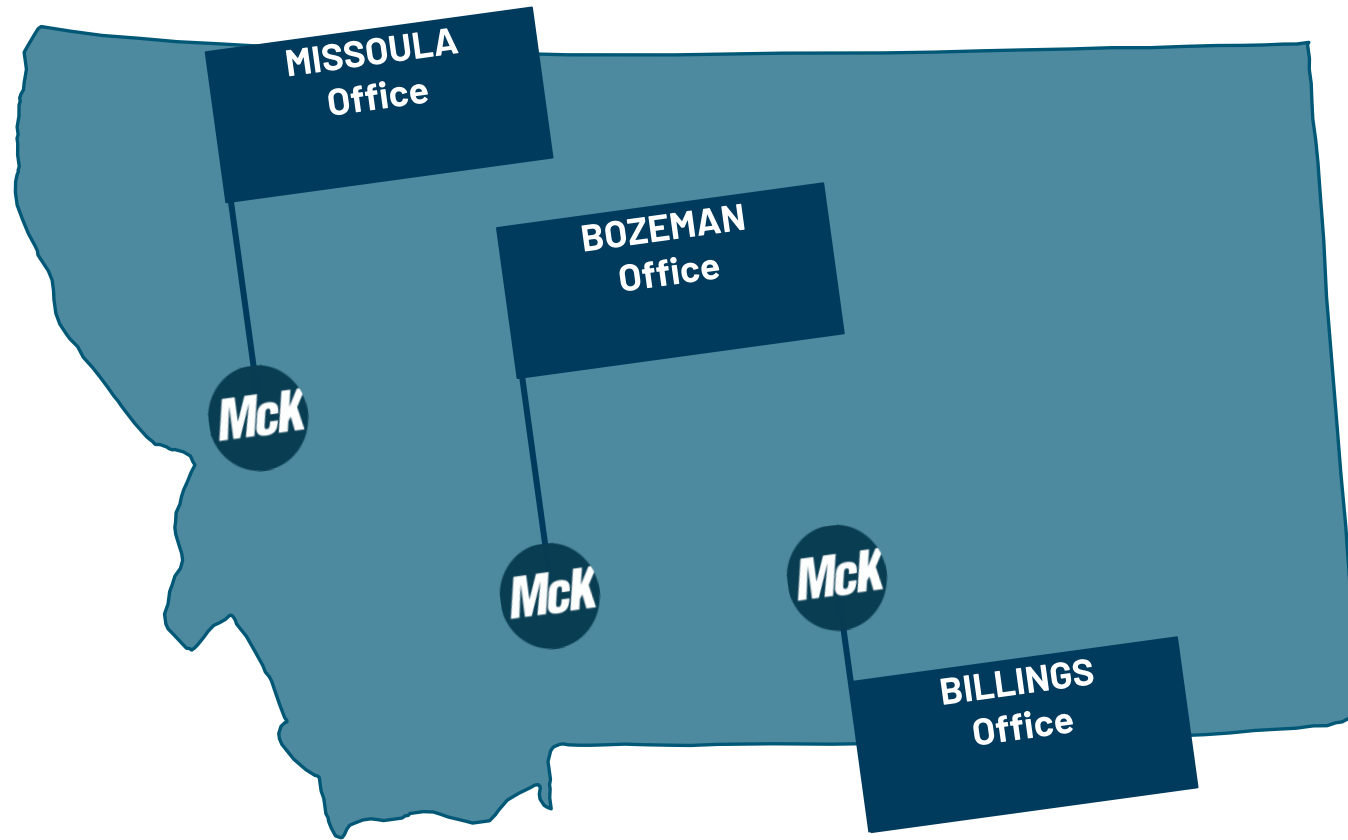




## Agenda

- Introductions-McKinstry Montana
- What is Design-Build & How does it Work?
- Design-Build & ESSER Integration
- Additional Funding Mechanisms
- **Market Updates**
  - Escalating Construction Costs
  - Current Delivery Timelines

# Introductions - McKinstry Montana



# What is Design-Build?

## Design-Build Overview –Statute

Alternative project delivery contract includes **design-build** contracts and are permitted under **Montana Code Annotated 18-2-502** if two of three of the following criteria are met:

1

*The project has schedule ramifications where Design-Build is necessary.*

2

*Design-Build will result in significant cost savings.*

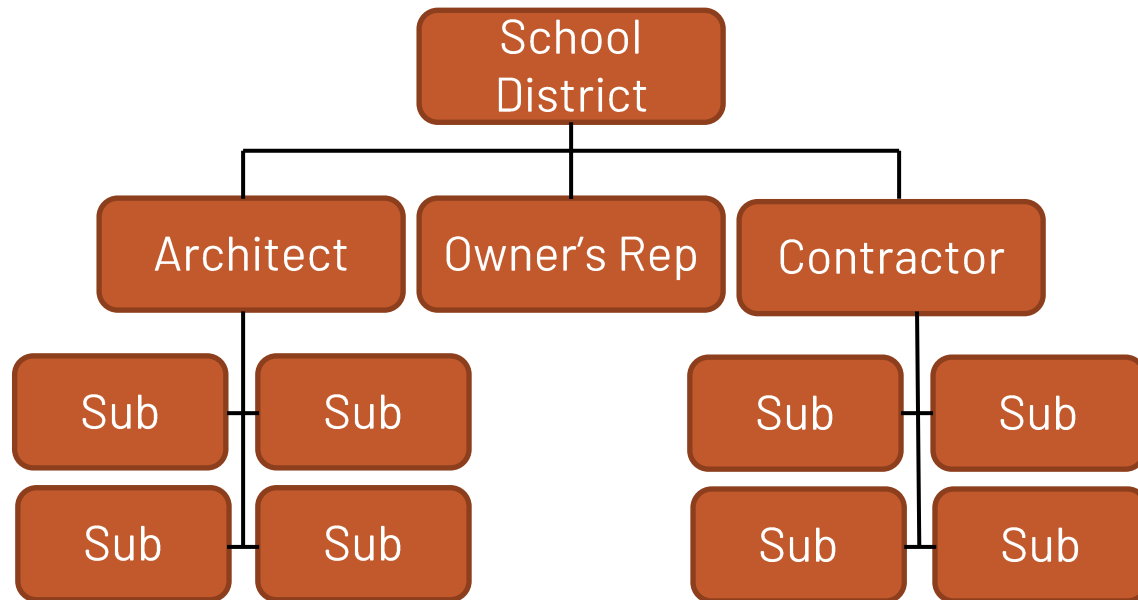
3

*The project presents significant technical complexities where Design-Build is necessary.*

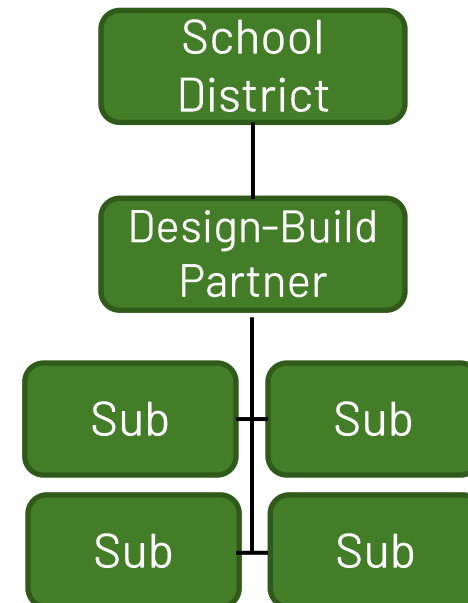
# How does Design-Build Work?

## Structure

Traditional Project Delivery

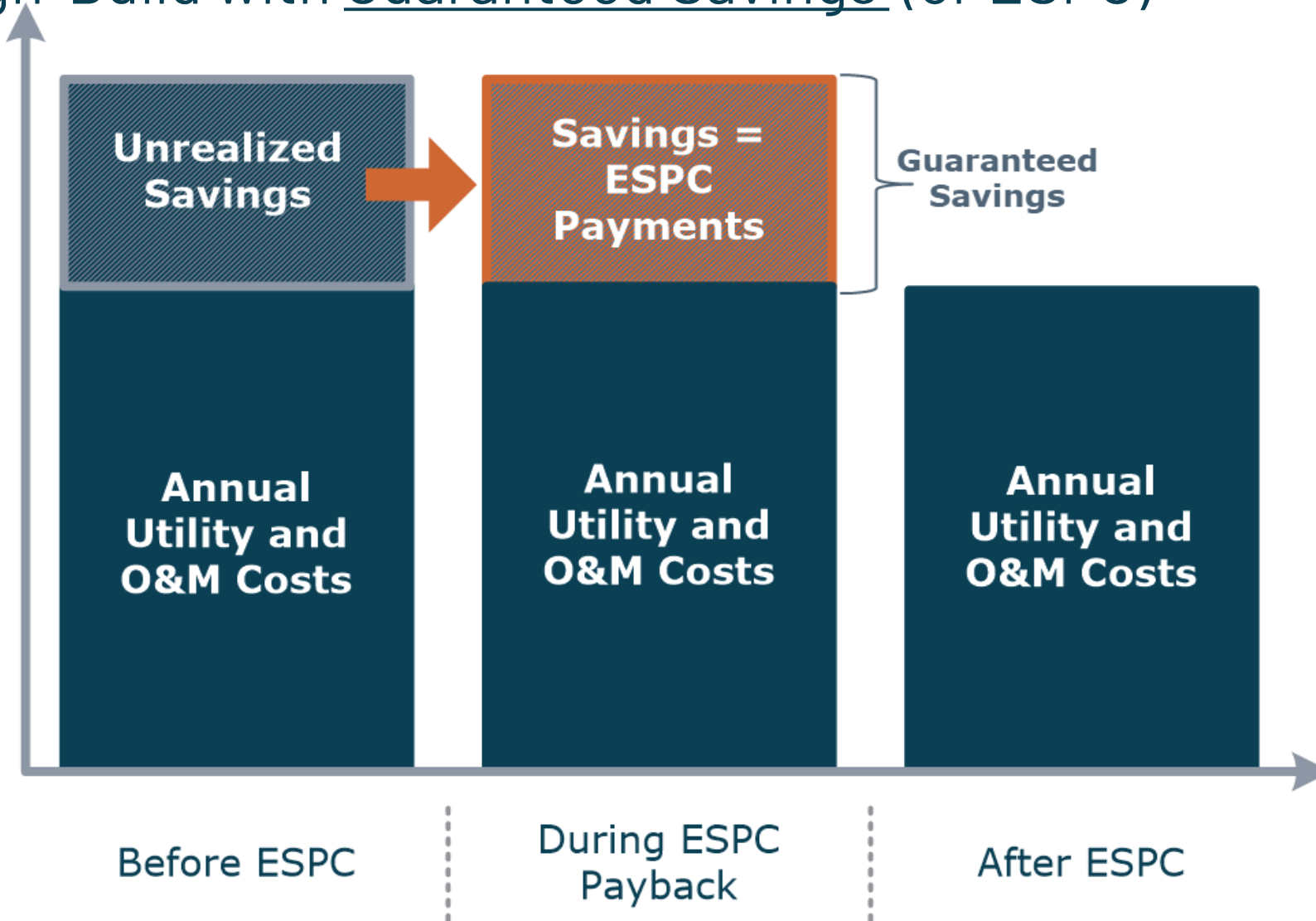


Design-Build Delivery



# How does Design-Build Work?

## Design-Build with Guaranteed Savings (or ESPC)

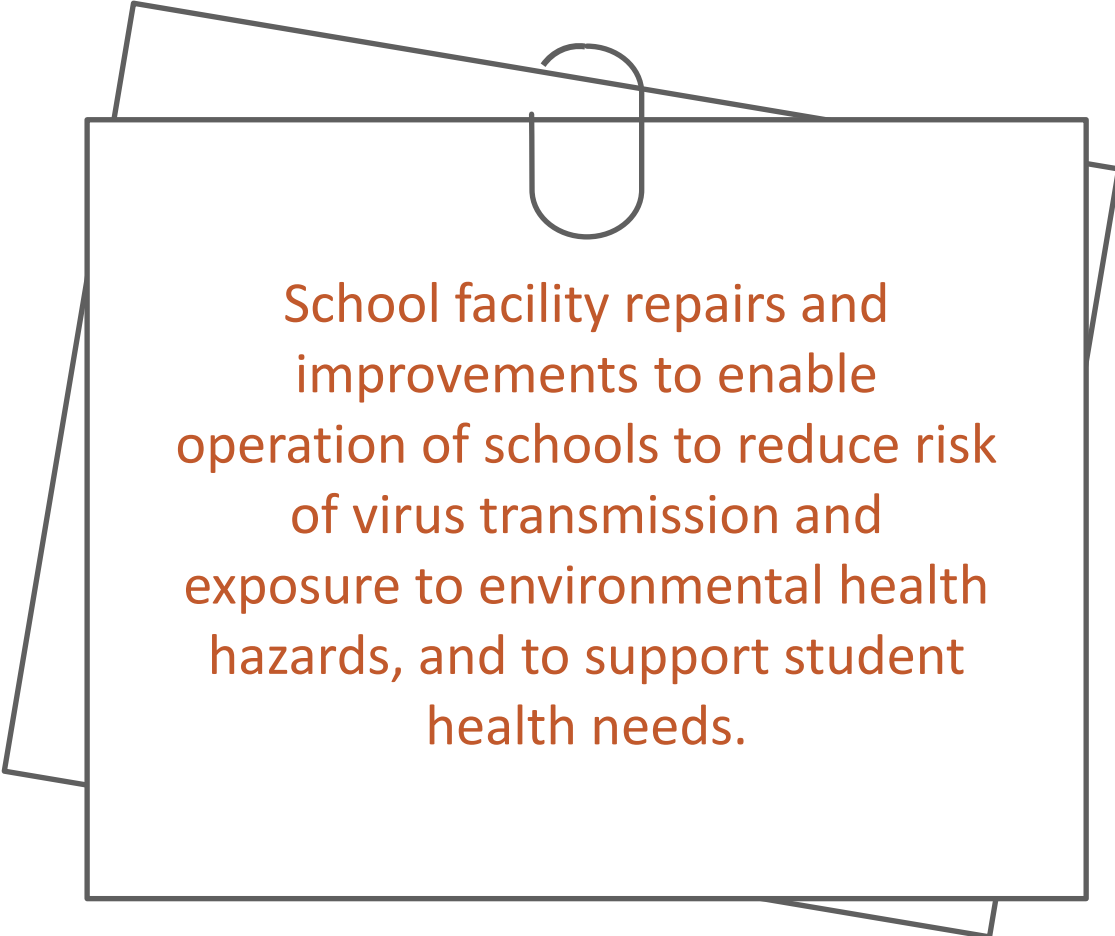




# Design-Build & ESSER Integration

## What Work Qualifies for ESSER Funding?

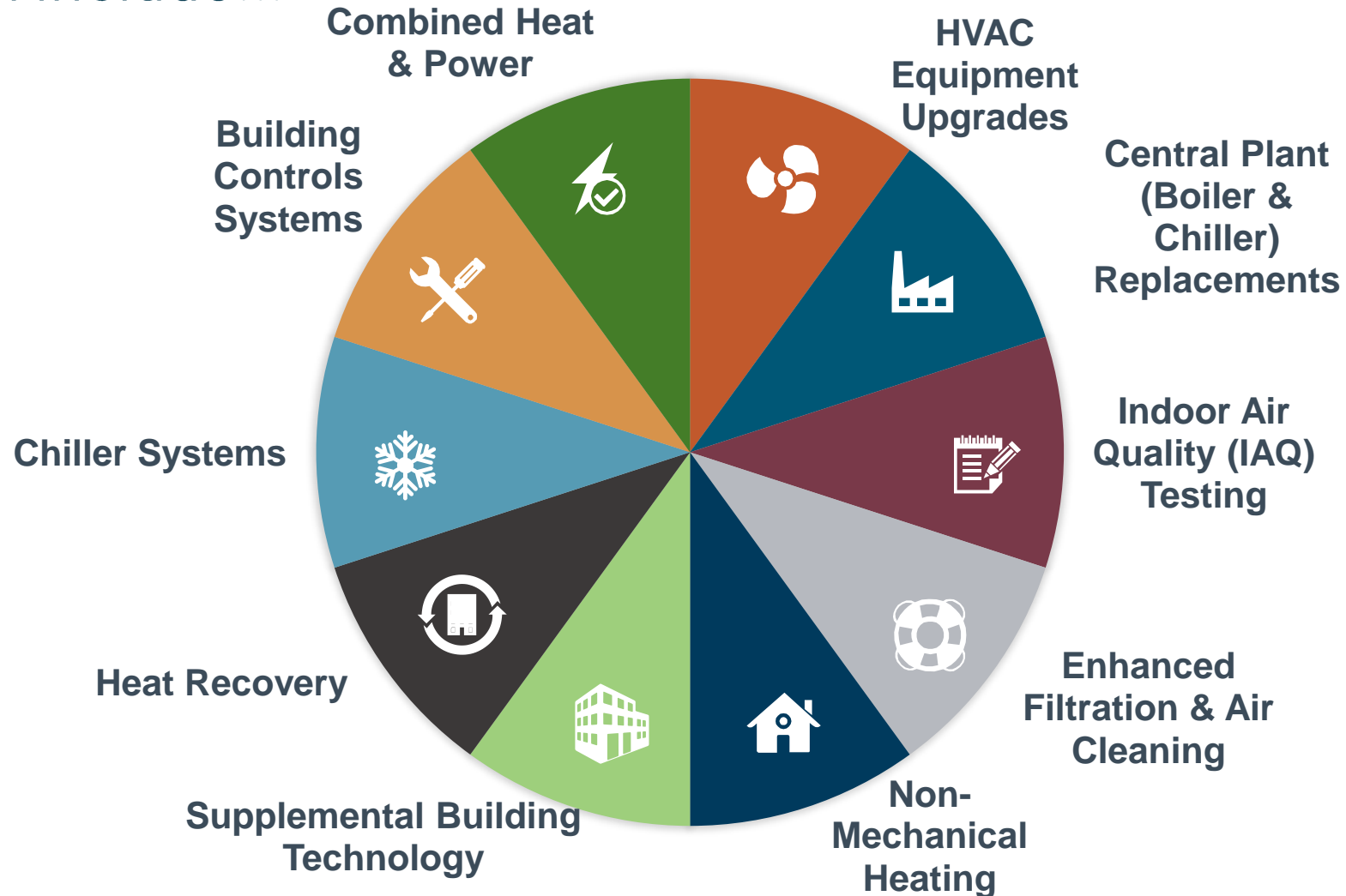
ESSER III Guidance from Montana OPI clarified allowable uses of relief funds, including provisions for facility improvements:



School facility repairs and improvements to enable operation of schools to reduce risk of virus transmission and exposure to environmental health hazards, and to support student health needs.

# Design-Build & ESSER Integration

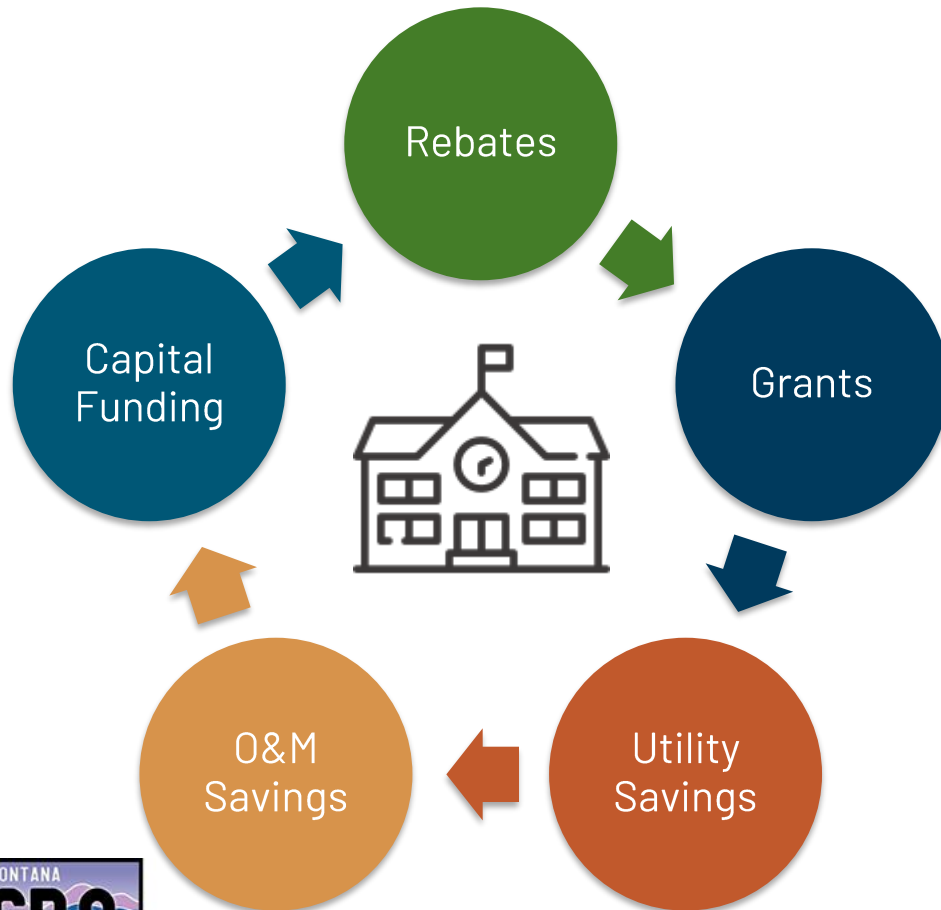
This can include...





# Client Funding Sources

McKinstry has secured **over \$400 million** in grants for our clients!



## Utility Rebates

- Maximize available utility incentives

## Grants

- Federal
- State

## Utility Savings

- Guaranteed utility savings

## Operational Savings

- Guaranteed operation & maintenance savings

## Capital Funding

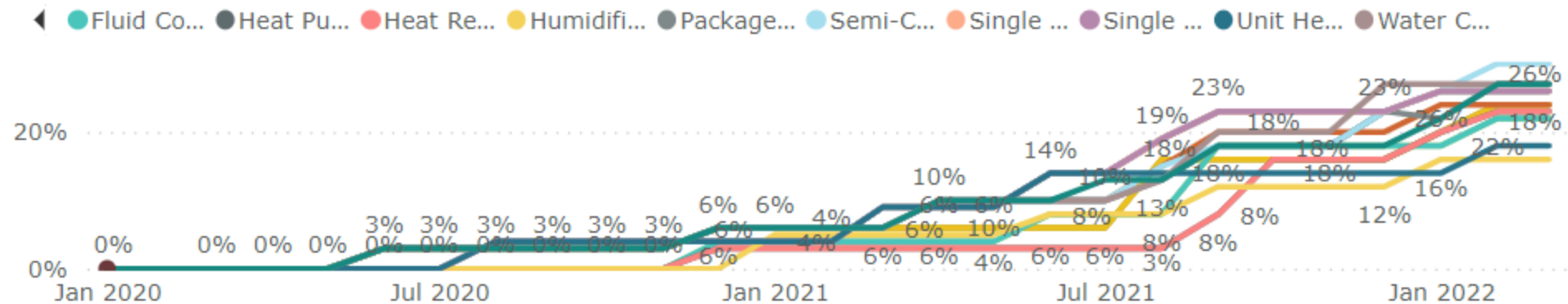
- Leverage available capital: bonds, endowments, etc.

# Market Updates

# Escalating Material Costs

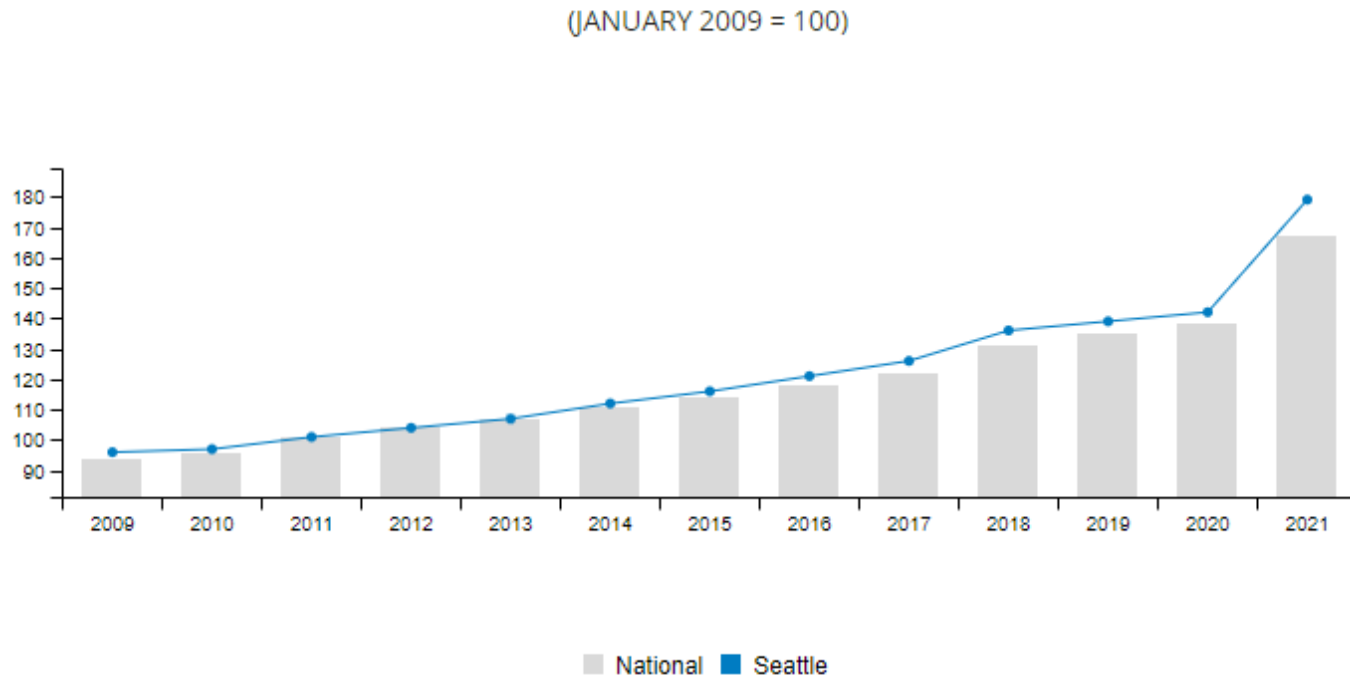
## Current Supply Chain Trends

- **Additional 10-12% cost increase** in commodity equipment above the 30% year over year increases to date
- Circuit boards and controls supply chain bottleneck driving **28-40 week delivery for HVAC equipment**



# Escalating Material Costs

## Industry-Wide Escalation



2.9% single quarter cost increase nationally  
4.3% single quarter cost increase in Seattle



21.5% annual cost increase nationally  
26.1% annual cost increase in Seattle

Source: Mortenson Construction Index



# Labor Constraints

## Industry-Wide Labor Constraints



3% loss of construction employees in Seattle metro region from 2020 to 2021

**Labor availability will continue to be a top concern in 2022.**

Source: Bureau of Labor Statistics

# Current Delivery Timelines

	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23
<b>Preliminary Development</b>															
Scope Development															
Initial Estimating															
Project Approval															
<b>Design Development</b>															
Design Finalization															
Early Equipment Release															
<b>Procurement</b>															
Equipment Procurement															
Contractor Procurement & Bids															
<b>Construction</b>															
Implementation															
Closeout															



# Design-Build vs. Design-Bid-Build

## Design-Bid-Build



## Design-Build



# How Design-Build Maximizes ESSER Dollars



**Minimizes Risk  
for Owner**



**Reduces  
Delivery Schedule**



**Reduces  
Cost**



**Increases  
Quality**



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# Thank You!

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