Capital Construction Management

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

The University of Tennessee
County Technical Assistance Service
226 Anne Dallas Dudley Boulevard, Suite 400
Nashville, Tennessee 37219
615.532.3555 phone
615.532.3699 fax
www.ctas.tennessee.edu
<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Construction Management</td>
<td>3</td>
</tr>
<tr>
<td>Construction Manager/Owner’s Representative</td>
<td>3</td>
</tr>
<tr>
<td>Project Budget</td>
<td>3</td>
</tr>
</tbody>
</table>
Capital Construction Management

Reference Number: CTAS-1717
The project has finally been funded and it's time to go to your purchasing department to requisition work to be done. Make sure you follow your local purchasing procedures and laws regarding the hiring of engineering professionals, construction managers, and contractors. Credibility is at stake when purchasing.

For information on purchasing procedures for hiring engineering professionals and construction managers, view the Purchasing topic in e-Li.

Construction Manager/Owner’s Representative

Reference Number: CTAS-1718
Credibility and the availability of money are the two most important factors in current and future capital improvement plans. By credibility we mean that the project was needed, accounted for in a manner that everyone understood the cost, and that the project was completed on a timely basis meeting the scope of the proposed contract. By scope of the proposed contract we mean that the county received the quality of work for which they contracted. Therefore, when dealing with millions of dollars, it is advisable to hire a construction manager or supervisor to be an overseer and liaison to architects, contractors, and the county.

The construction manager also insures the quality of construction and helps in understanding the need for change orders and the process to get change orders approved. The construction manager should keep detailed notes of the construction process. Construction managers, engineering departments, and contractors often use Gantt Charts to reflect the timeline of projects. It is highly recommended that Gantt Charting be used in construction projects. A Gantt chart is a bar chart depicting the beginning and end date of a project, all related major (and some minor) components of the project, and how those components may interface. For example, a Gantt chart would show that excavation must take place before concrete forming and preparation for concrete pouring, but rough-in plumbing and rough-in electrical must also be completed before concrete pouring. Each component would have start and finish dates.

An Owner’s Representative is an option in lieu of the use of a Construction Manager. An Owner’s Representative is a person or firm who works with the county officials in some of the first steps in planning the project. The Owner’s Representative becomes the county advocate for identifying the project characteristics and objectives, selecting and performing site analysis, preparing budgets and related budget controls, insuring proper procurement and identifying work scope and scheduling. If engaged at the beginning of a project, the Owner’s Representative can assist in insuring that contract documents are “owner friendly” and can focus on critical preconstruction activities.

The main players in construction management are the architects, contractors, planners, engineers, and the construction manager/owner’s representative. The construction manager/owner’s representative focuses attention and provides work assessment on the project at hand. He/she will also incorporate quality control and provide alternate configurations of design if needed. A construction manager can be a construction management firm, a government staff member, or an outside individual hired to help oversee the project and report the day to day activities to the appropriate government official(s). A county should consider a construction manager/owner’s representative when managing a capital improvement project. The county should demand Gantt charts for large capital improvement projects from their construction manager/owner’s representative.

Recommended Practice: Have a Construction Manager/Owner’s Representative overseeing your capital projects.

Recommended Practice: Gantt chart your capital projects.

Project Budget

Reference Number: CTAS-1719
There are several things to know in the management of a construction capital project as it relates to the budget. Was debt issued to fund the project? If so were the bonds or notes sold at a discount? Were debt issuance expenses considered? When will cash funds be available? Were contingencies and changes orders budgeted? Was interest earning anticipated? The answers to these questions are beneficial in knowing how much money is or will be available and when.
The capital project budget should include costs for bond issuance, architecture, engineering, land, and furnishings if applicable. The capital budget and accounting should be what is referred to as “Turn Key.” Turn Key means all costs to start the project and costs up until the government can use the new assets. The builder locks the door (turns the key) and hands the owner the keys. In some instances the county has started a capital project out of their operating budget with the intent to repay these expenses back to the operating budget once money is borrowed. The accounting department needs to insure that proper accounting is made to incur all cost in the capital projects fund for historical and correct accounting purposes. This budget should have all accounting set up to properly segregate funds such as the retainage account. If a county anticipated a capital improvement project and will be spending funds exploring their options, it is recommended to go ahead and establish the capital projects fund and expend money from the capital project fund instead of from an operating fund.

Recommended Practice: Establish your Capital Project Fund during the planning stage of the project, making sure all costs associated with the project have been captured.

Source URL: https://www.ctas.tennessee.edu/eli/capital-construction-management