



ARCHITECTURE & ENGINEERING DIVISION

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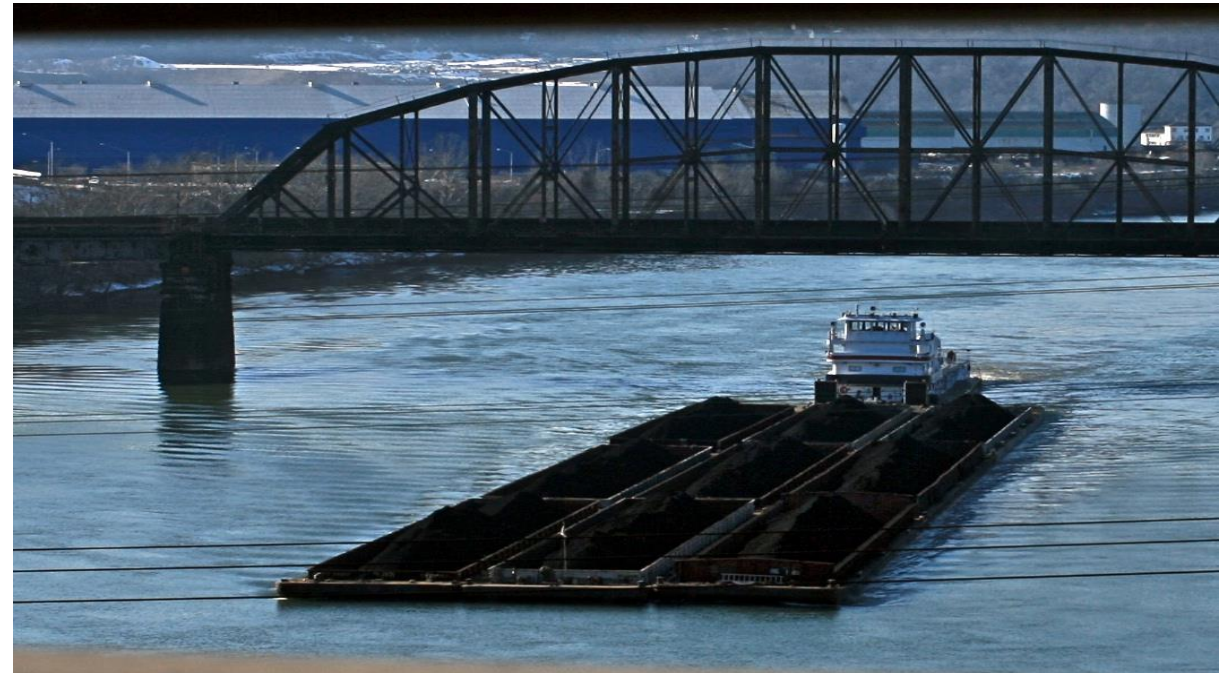
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**INTERIM BUDGET COMMITTEE
SECT F**

June 20, 2024

Discussion Topics

1. Quick Updates on Project Progress
2. Our Observations on Market Trends
3. Review Performance Metrics
4. 2025 Session Requests

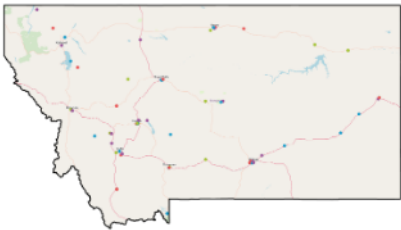


Project Rollout & Priorities (68th session only)



A&E PROJECT MAP

Status of all current A&E projects



Shifting from Procurement to Execution

58 Architecture & Engineering Firms under Contract.

146 Projects in Planning & Design, 65 Projects in Construction.

Tracking Uptick on Volume of Projects to Manage:

Average # of projects/project manager pre-68th Session: 15 projects/PM

Average # of projects/project manager post-68th Session: 24-30 projects/PM

98% of 68th Session Projects released to A/E & Construction Industry

Last 2% awaiting final decisions by others. A&E will be ready.

Highest Priorities:

Montana State Prison HB 817 & Low-Side Housing Construction

Montana State Hospital Compliance Recertification Completion

Montana State Hospital Replace Water Main

Quality of bids for MSU Nursing and Gianforte Hall

Comprehensive ROWS Implementation of Initial Phases



Update on HB 817: Capital Projects @ MT State Prison



Low-Side Housing:

Early projections showed net gain of 117 beds at Deer Lodge without adding FTE's. However, utilities are undersized and need substantial upgrades. Cost & schedule comparisons of pre-fabricated cells continues. Construction start date for low-side housing is Spring 2025.

Project Milestones:

\$4.8M for 5 Roof Replacements awarded in June 2024
Maintain current design schedule.

HB 5 Select Committee on Corrections Facility Capacity & System Development met this week:

Planning for Dept of Corrections is concurrent and informed by population studies and projections by this committee.
A&E's understanding is final report to Leg Finance and Law & Justice interim committees prior to submission to the Governor and the 69th legislature.



Update on HB 856: ROWS Implementation & Leg Branch Long-Range Plan



R.O.W.S. Implementation

Architect and General Contractor/Construction Manager under contract.
Strategic planning ongoing to identify final scopes and budget for each.
Metcalf Building renovation construction start date anticipated in Spring 2025.

Legislative Branch Long-Range Plan

Legislative Council accepts the Legislative Branch Long-Range Plan identifying a need for more legislative space.

A Mid-Range plan was approved providing additional hearing rooms following 69th legislature.

LAD move was approved from the Capitol to Mitchell 4th Floor West.
Space reallocations with furniture solutions in advance of the 69th legislature.

Coming Soon:

Pilot projects to showcase furniture and renovated space in support of hybrid office work environment.



Update on HB 872: Capital Projects for Behavioral Health System for Future Generations



Reporting Timelines:

The BHSFG Commission **issues draft report in May 2024** which included 21 recommendations and 5 near-term initiatives.

The Commission will bring a further draft report before various legislative interim committees in July before submitting the final report to the Governor.

Capital Projects:

\$75M appropriated to DOA for Capital Projects **after** administrative rules have been adopted and **after** the Commission transmits its final report.

Next Steps:

RFQ for architectural services to be issued **pending rule-making and Commission** action per 872 requirements.



HB 190: Performance Metrics*

1. ADMINISTRATIVE PHASE MEASUREMENT

of projects initiated

2. DESIGN PHASE MEASUREMENT

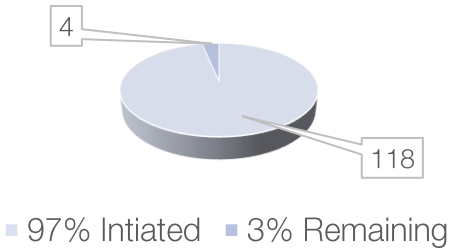
w/ executed design contracts (have included those in negotiation status for this update)

3. CONSTRUCTION PHASE MEASUREMENT

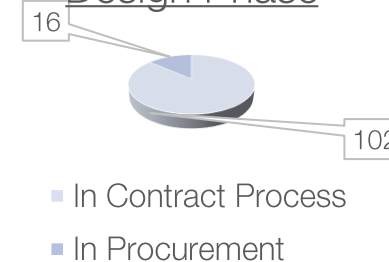
of projects bid/awarded

- * Total expenditures per appropriations for capital projects is **NOT** a valid measure of performance
- Data does NOT include “supplemental” funded projects already in the pipeline (1 holding, 3 initiated, 9 in design, 30 in construction, 1 complete)

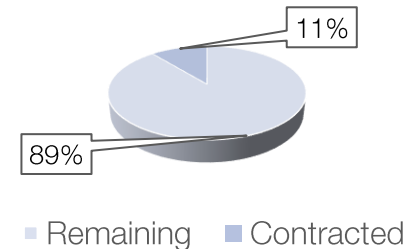
Administrative Phase



Design Phase



Construction Phase



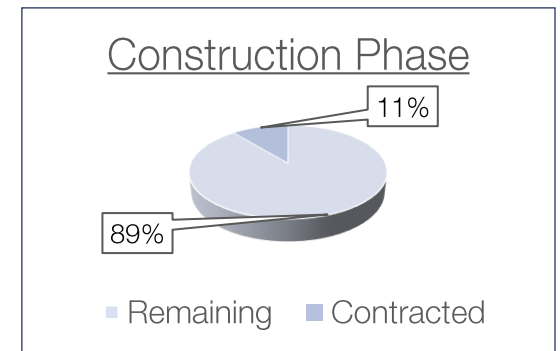
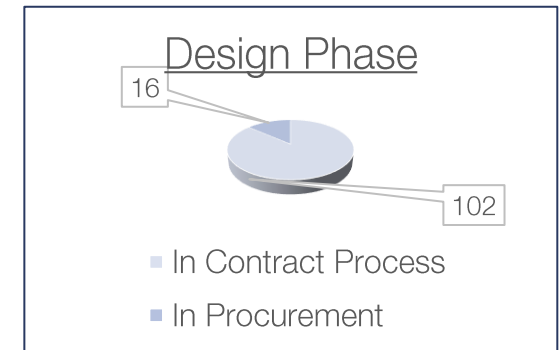
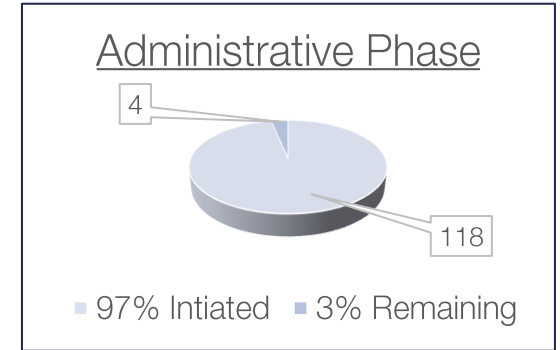
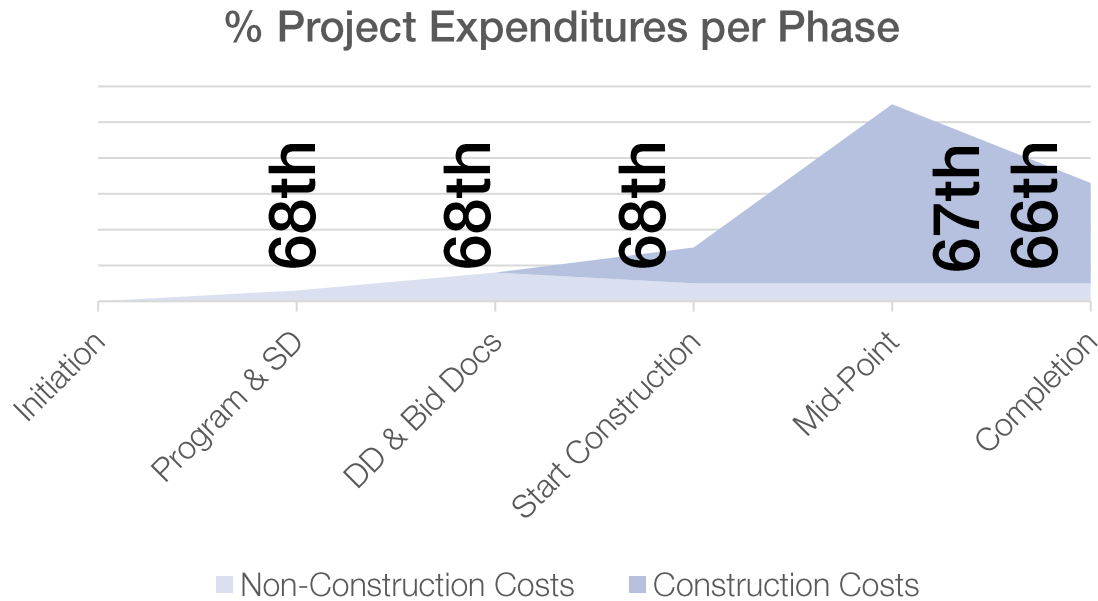
HB 190: Performance Metrics

Making sense of the charts:

97% of the 65th Session \$\$ appropriated have been encumbered/expended

90% of the 66th Session \$\$ appropriated have been encumbered/expended

66% of the 67th Session \$\$ appropriated have been encumbered/expended



HB 5: The Last Word



Shifting from procurement to design/bid/build requires **patience**.
Contracting with Owner-Rep Services helps but **still requires A&E oversight**.
Bid packages for the bulk of appropriations **is yet to come**.

\$\$ Appropriated

69th?
68th
67th
66th

Resources Required

69th
68th
67th
66th



Market Trends in Context: Billing Index



6.0

*Backlog (in months)
Positive in terms of
financial outlook
Negative in terms of
immediately available
capacity*

The AIA/Deltek Architecture Billing Index (ABI), often viewed as a 9-12 month forward-looking indicator of construction activity, still indicates that billings continue to decline at most architectural firms. **“Continued high interest rates make it difficult for some projects to move forward,** but there is ongoing interest in pursuing these projects once conditions improve.”

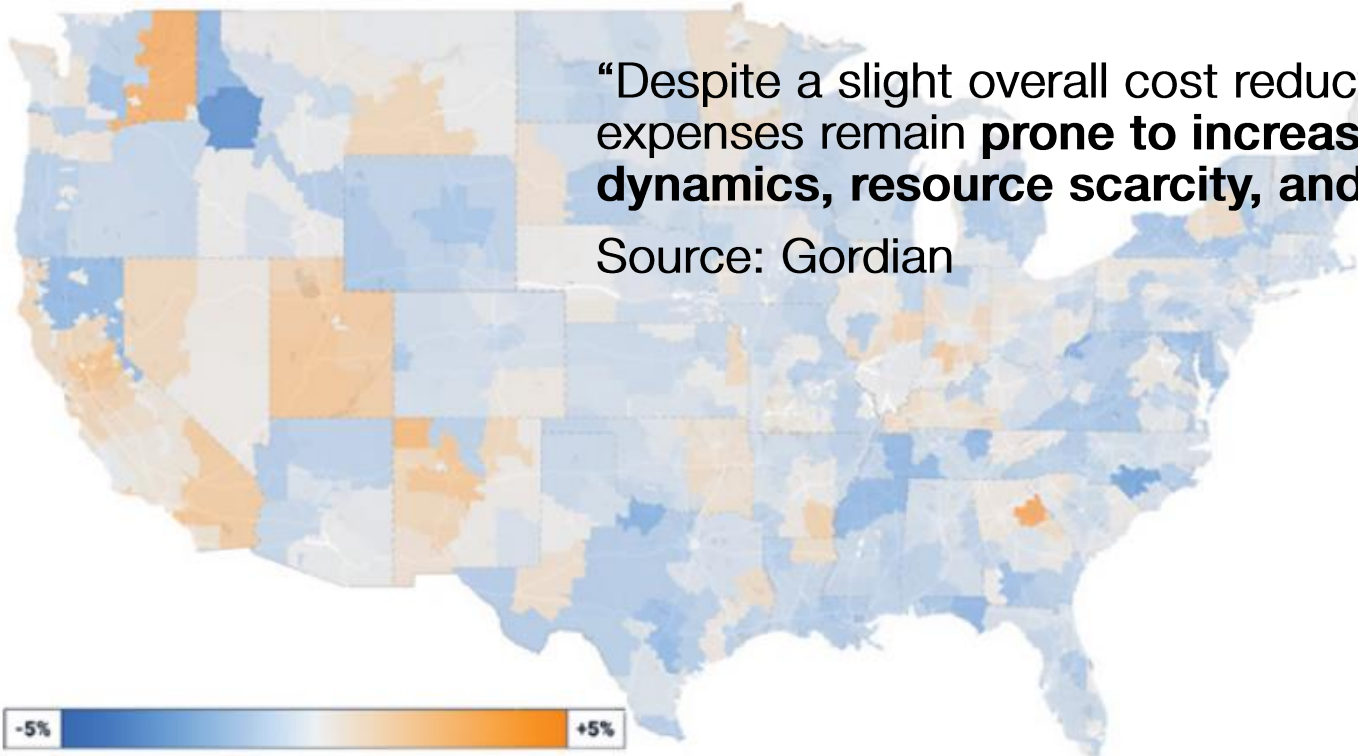
IMAGE and SOURCE CREDIT: KERMIT BAKER, AIA CHIEF ECONOMIST



Market Trends in Context: Overall Costs



Q4 2023 to Q1 2024



“Despite a slight overall cost reduction, construction expenses remain **prone to increases from regional dynamics, resource scarcity, and labor expenses.**”

Source: Gordian



IMAGE CREDIT: GORDIAN



Market Trends in Context: Overall Costs



Quarter Over Quarter Total Difference		
HCI Total Value	HCI Material Value	HCI Install Value
+0.07%	-0.45%	+0.90%
Year over Year Total Difference	Year over Year Total Difference	Year over Year Total Difference
-1.27%	-3.56%	+2.66%
5 Year Total Difference	5 Year Total Difference	5 Year Total Difference
+28.75%	+37.19%	+17.19%
	10 Year Total Difference	
45.62%	58.51%	28.74%

“While acknowledging ongoing challenges in specific product categories, the report unveils a prevailing trend of stabilization within the construction sector, highlighting **the industry’s ability to find its footing amid dynamic market forces.**”

Source: Gordian

IMAGE CREDIT: GORDIAN

(HCI = Historical Cost Index)



Market Trends in Context: Materials



MATERIAL PRICING CHANGES

(Cumulative Q1 2022 to Q1 2024)

“Prices for commodity-based materials are reported to be mostly stable, although **mechanical, electrical and plumbing scopes continue to show material and equipment volatility.**”

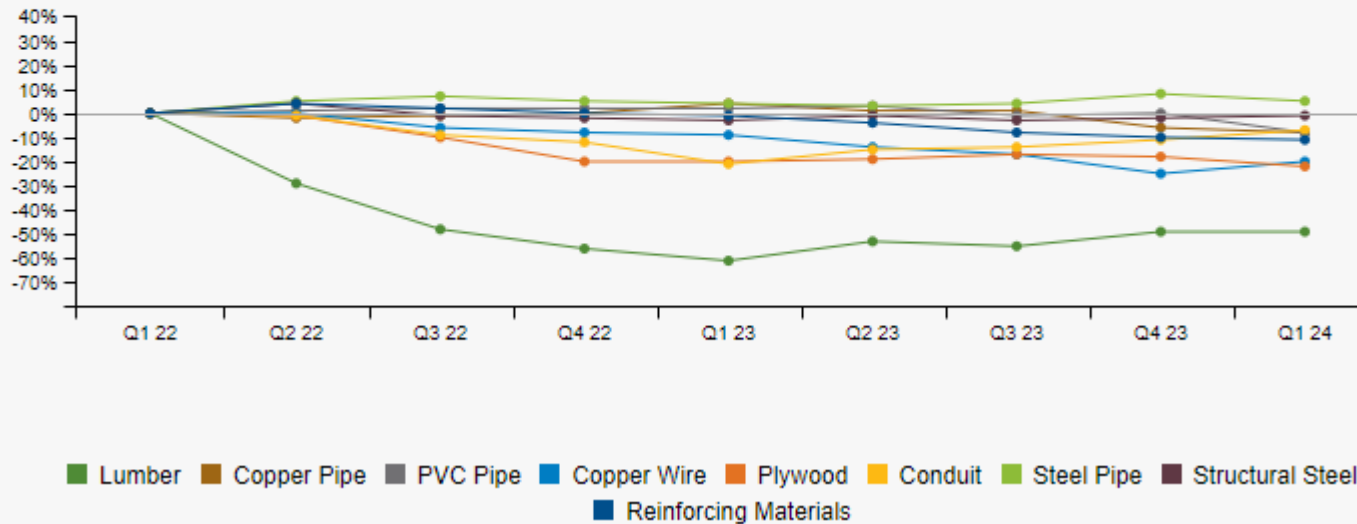
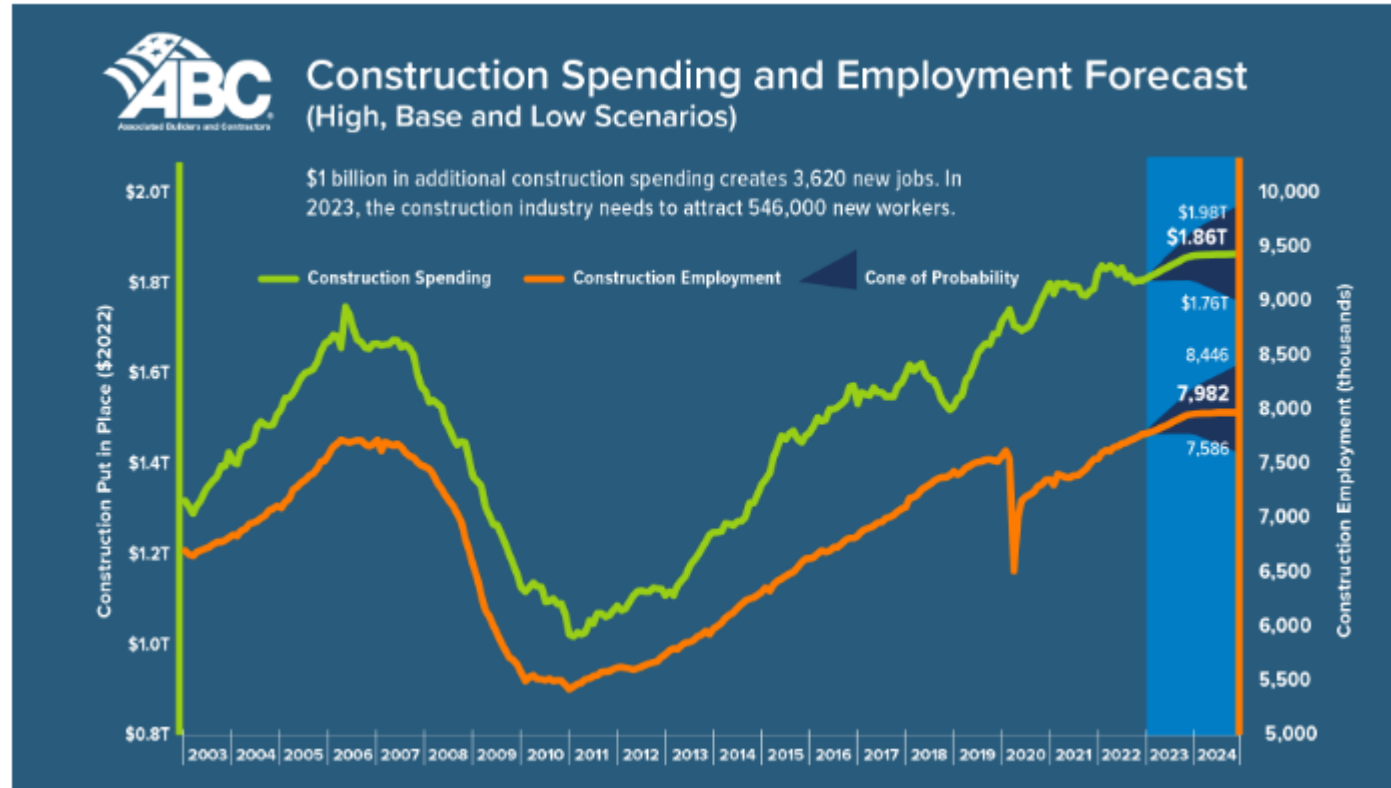


IMAGE and SOURCE CREDIT: MORTENSEN



Market Trends in Context: Labor

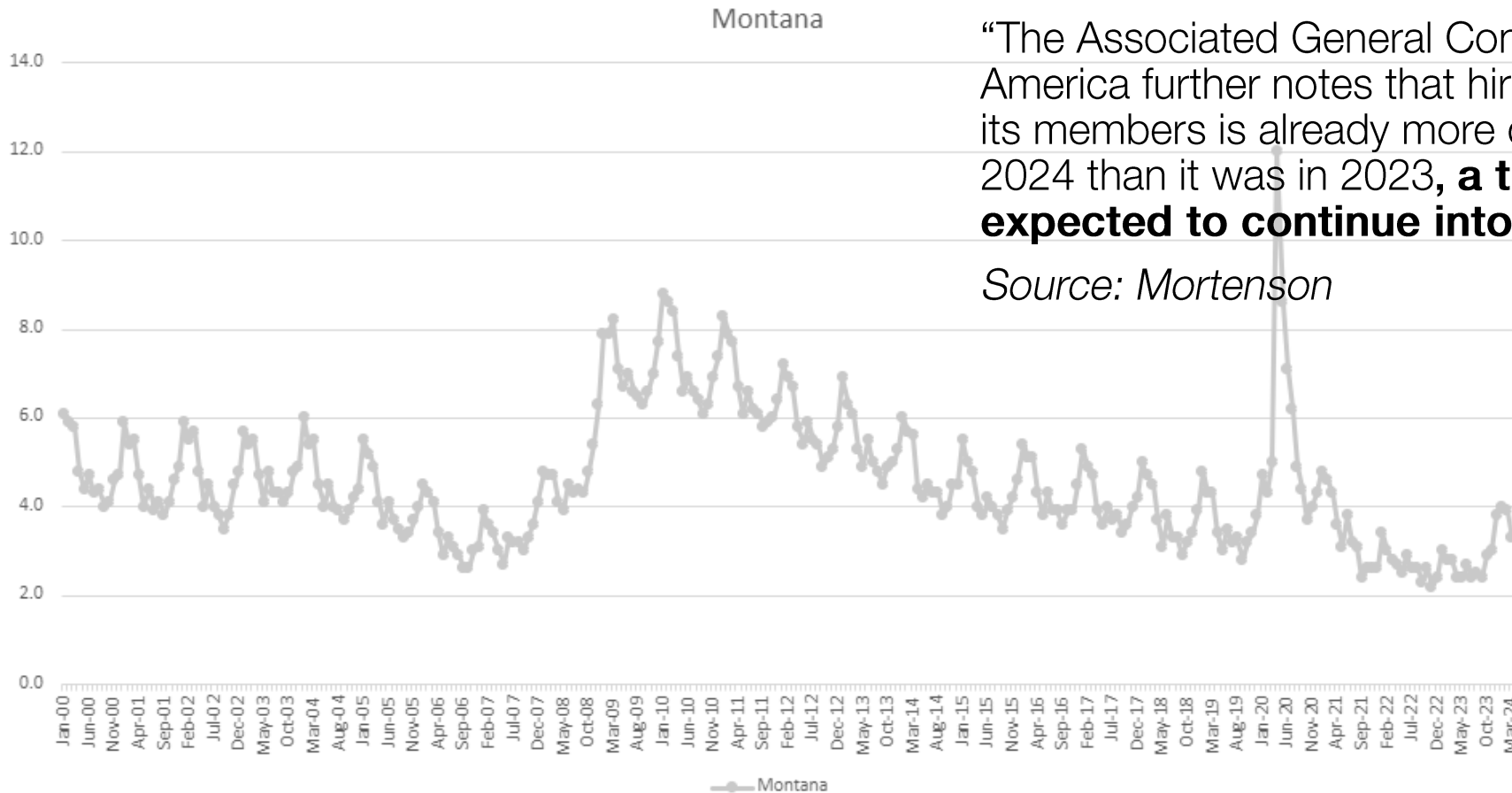


“The cost and procurement of labor is **a persistent industry challenge.**”

Source: Bureau of Labor Statistics



Market Trends in Context: Labor



“The Associated General Contractors of America further notes that hiring among its members is already more difficult in 2024 than it was in 2023, **a trend expected to continue into 2025.**”

Source: Mortenson

IMAGE and SOURCE CREDIT: US Bureau of Labor Statistics

Market Trends in Context: Time



“...while cost increases have become more predictable, **lead times remain a persistent challenge**. HVAC equipment lead times have plateaued above historical norms, and **volatility persists** for electrical equipment such as generators, switchgear and transformers.”

Source: Messer Construction Co.

“O’Bryan cautions that delays of up to 18 months for certain items **could potentially extend overall project schedules.**”

Source: The Beck Group

“Available people resources remain a challenge, so the solution is **MORE TIME**, not more money.”

Source: State A&E



Market Trends in Context: Backlog

8.3



National Construction Backlog Indicator
(-0.1 1-Month Net Change)

8.1



West Regional Construction Backlog Indicator
(+1.8 1-Month Net Change)

Backlog = the amount of work, measured in months, that construction companies are contracted to do in the future.

The more backlog, the more positive the outlook for the construction industry.

Negative in terms of immediately available capacity



For the 69th Legislature: What is Possible

PRIORITY CD-20

OLD BOARD OF HEALTH RENOVATION (LEGISLATIVE STAFF SPACE)

DEPARTMENT OF ADMINISTRATION
\$3,500,000



VectorStock

- PROJECT REQUEST SUMMARY**
- Renovates 8,000 sf for OLIS of the Legislative Services Division freeing up space in the State Capitol.
 - Adds an elevator making all floors accessible.
 - Reduces capital renewal costs by 46%.



VectorStock

FUNDING SOURCE	
LRBP Cash	\$3,500,000

ESTIMATED COST OF PROJECT	
Design & Engineering Services	\$300,000
Construction Cost	\$3,000,000
Non-Construction Cost	\$200,000
Total	\$3,500,000

“Mon-consin Model”





Thank you!

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