



Successful Construction Projects through Financial Management

Introductions...

- **Isaac Larson** – Executive Director of Facility Planning and Development, Froedtert and The Medical College of WI
- **Ric Miller** – Founder and President of Ric Miller Construction Consulting, LLC, an Owner's Representation Services firm



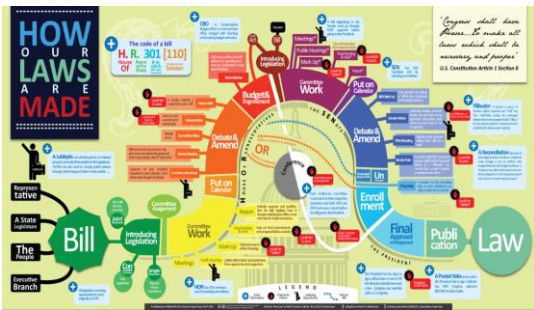
Successful Construction Projects through Financial Management

A summary of today's discussion...

- Taking a market need to an approved and funded project
- Developing a comprehensive Total Project Budget
- How to manage financial risks during planning and design
- Financial management techniques during construction
- Procedures for successful financial close-out



Successful Construction Projects through Financial Management
Taking a market need to an approved and funded project





Successful Construction Projects through Financial Management
Taking a market need to an approved and funded project

- ✓ *Establish a well documented internal process that allows adequate input from various sources and which progresses through leadership in a logical manner*
- ✓ *Allow adequate time for the process to naturally flow... start early!*
- ✓ *Have in place and update regularly an overall Master Plan including organizational vision, goals and performance metrics... the organization's map and compass*



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Taking a market need to an approved and funded project

- ✓ *Gain input from professional resources to apply well researched data to the various options for considerations... be willing to invest in the process*
- ✓ *Give adequate consideration to various options; a single option is perceived as an ultimatum to leadership*
- ✓ *Build in "off-ramps" into the implementation should organizational performance metrics change*



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Develop a comprehensive Total Project Budget

- ✓ *Have a clear and concise documentation of what costs are to accrue to the project budget and what costs accrue to other budget sources*

Some examples:

1. Land and real estate costs (commissions, options, taxes, PILOT fees, etc.)
2. IT upgrades, licenses, recurring user fees, etc.
3. Medical Equipment upgrades vs. additional capacity needs
4. Finance costs
5. Miscellaneous (staff recruitment costs, pre-Go Live operational costs, building supplies stocking, open houses/promotional events, etc.)

\$ Pro Tip: Use a Budget Allocator Tool



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Managing financial risks during planning and design

- ✓ Implement "real time" estimating capture all cost impacts during design on a Cost Management Log and reviewing overall budget impact on a weekly basis
- ✓ Advance the level of detailed estimating on Soft Costs, Equipment, FFE, etc. commensurate with the advancing construction estimates
- ✓ Maintain budget accountability via the monthly Project Leadership Core Team formal reporting



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Financial management techniques during construction

- ✓ Be active in the review and approval of project cost events (aka: Change Orders!)
- ✓ Require monthly internal audits of each monthly pay application to verify that all back-up is adequate and that charges are contract compliant
- ✓ Continually track contingency and other "unallocated" project funds; know the rate of usage, the balances remaining and % remaining vs. % construction to complete

\$ Pro Tip: Develop a written document by the Project Leadership Core Team that describes contingency purpose, allowable use and desired remaining balances



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Financial management techniques during construction

- ✓ Maintain budget accountability via the monthly Project Leadership Core Team formal reporting
- ✓ Continually track contingency and other "unallocated" project funds; know the rate of usage, the balances remaining and % remaining vs. % construction to complete

\$ Pro Tip: Develop a standardized format and contents for the Monthly Update Reports so that information is presented in the same format month over month



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Procedures for effective financial close-out

- ✓ Establish measurable goals for close-out activities (ex: final financial close-out within 90 days of occupancy)
- ✓ Respectfully control post-occupancy User requests for changes (ex: implement a 90 day or 6 month rule on change requests)
- ✓ Comprehensively reconcile all contract terms and document the results in an "audit-ready" state

\$ Pro Tip: Develop a standardized project close-out procedure and form and consider having an internal peer review of validation of comprehensive close-out



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Conclusion

We discussed and offered tips for the following as a means to successfully manage construction projects through Financial Management:

1. Navigate your project through the internal funding approval process
2. Develop a comprehensive Total Project Budget
3. Manage financial risks during planning and design
4. Techniques for managing financial risks during construction
5. Procedures for effective financial close-out



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Thank you!
