



Elkhart County drafts strict agreements with contractors to hold costs down in a volatile construction market

Elkhart County, Indiana (October 1, 2021) – Elkhart County government has developed strict cost saving agreements with contractors that will help to minimize the escalating costs of raw materials for the new Consolidated Courts campus. The agreements, yet to be signed, are tied directly to the facility being built on Reliance Road between the cities of Goshen and Elkhart. Once signed, groundbreaking will occur on the site within a few weeks.

“These agreements are in the best interest of Elkhart County citizens,” said Suzie Weirick, President of the Elkhart County Commissioners. “There’s a lot of steel in a facility like the one we’re building. Steel has gone up over 200 hundred percent. (Lambert, 2021) Lumber has increased over 300 percent. (Tzanetos, 2021) The same price hikes that consumers are seeing when they buy gas or groceries are affecting the construction industry nationwide.”

“This new facility will be much more efficient than the two older buildings that we now work out of,” added Frank Lucchese, Vice President of the Elkhart County Commissioners. “It is going to help us save a lot of money and as our County Judges have made clear, it will also help them produce better results for the citizens of Elkhart County. But, we’re not immune to the escalating material costs caused by supply chain disruptions and inflation. These contractual clauses help, but don’t eliminate the problem. And if we wait, the costs will go higher.”

In short, the contractual agreements provide for ‘open book pricing,’ the ability of local government to see actual expenses as they’re incurred with a guaranteed minimum price for those raw materials. The agreements will save money during construction. It also takes vendor markups out of the equation. The design-build team is paid a set fee, regardless of how much the materials cost.

“And it’s not just steel and lumber,” added Weirick. “Drywall, concrete, copper and just about everything else needed for construction has gone up dramatically since this time last year. (NAHB, 2021) At one point, we saw the escalating cost for drywall and considered purchasing

before the price got higher. Our thought was that we might be able to store it until we needed it. But that proved impractical. The cost of safely storing the materials and the added transportation costs made the idea prohibitive financially. We finally settled on working with our contractors and developed these agreements to help hold down costs.”

Much of the time and effort spent by the County and the Design-Build Team since January 2021 has been focused on “right-sizing” the project scope in a worldwide climate of escalating material costs. Supply chain shortages combined with rising inflation made it apparent that the original target budget was no longer sufficient.

According to the Engineering News Record (ENR) historical cost index, the nationwide average increase in material costs over the period between the initial budget submitted a year ago and today, is 39.4%. While the guaranteed maximum price (GMP) for this project -- the highest amount of labor, materials and profit costs the contractor can charge -- is lower at roughly 38%, it is nonetheless significant.

As the County worked to develop cost controls, the Design-Build team volunteered to “Fix” their fees on the project. Combined with other cost controls and auditable open book pricing, the project, originally estimated to cost \$67 million, is now guaranteed to cost \$93.9 million or less.

“Our objective is to bring the project in at a cost lower,” added Lucchese. “But this GPM for means our construction costs will not exceed \$93.9 million.

With the purchase of 32 acres of land between the cities of Goshen and Elkhart, and an additional \$3 million set aside for furnishings, purchase and installation of I.T. infrastructure and security equipment such as metal detectors, the total projected cost is expected to be under \$100 million.

The new cost range puts the Consolidated Courts project in the same financial ballpark as the new County Jail which opened in 2004 at a construction cost of \$95 million. By the time the Courts project is complete in 2024, it will have been twenty years since the Jail was built.

“The cost of materials is outside the control of anyone working on this project,” added Weirick. “But the County has the financial means to make it work. And local citizens will not incur any new taxes. New taxes are not necessary to get this done.”

“If the cost of raw materials goes down to where they were a year ago, we’re still in the ballpark of our original budget,” added Weirick. “But the way things look right now, the cost of materials is expected to rise, not fall. If we wait, we’ll likely pay more – just like we will for the

price of gas and food. That's why we felt the need to work with our contractors on these special provisions."

THE PUBLIC PROCESS

Elkhart County Government is committed to keeping constituents informed as the project moves forward. A website with frequently asked questions, key facts and an evolving timeline has been created as part of the process. The address is www.SmartCourtsProject.com.

ABOUT THE ELKHART COUNTY SMART COURTS PROJECT

The genesis of a consolidated Elkhart County Courthouse system goes back to 1992. The project has been discussed as a necessary improvement since that time.

Beginning in January 2018 and concluding in July of 2020, more than two dozen locations were studied by Elkhart County government as potential sites for the consolidated campus. The studies included sites in downtown Goshen and downtown Elkhart.

On September 12, 2020 an initial bond agreement was approved in the amount of \$35 million for the first phase in financing to purchase land, design and build the new courthouse.

On November 14, 2020, the Elkhart County Council unanimously approved the purchase of 32 acres of vacant property at 1905 Reliance Road in Goshen as the location for the new consolidated courts campus.

On December 9/10, 2020, the TRC interviewed 8 design/build teams. On December 15, 2020, the TRC narrowed the field of design/build teams down to three. The three finalists were interviewed a second time on January 12, 2021.

On January 12, 2021, the TRC interviewed three finalists for the project and assigned 16 Qualitative Scores to each design/build team. The TRC's Qualitative Scores were submitted to the County Commissioners on the same day, and the Commissioners approved the submission unanimously at that time.

On January 19, 2021, Elkhart County Commissioners voted unanimously to hire Indianapolis-based design firm Performance Services and their partner Goshen-based Ancon Construction to design and build the new Consolidated Courts project on 32 acres at 1905 Reliance Road in Goshen.

On January 26, 2021, Elkhart County Commissioners hosted the first of several visioning sessions with participants who use the current county courts system on a daily basis. The three-hour session was designed to provide input on core values and objectives that will be used in the design process for the new consolidated courts system.

From February through May, 2021, visioning sessions and workshops with court and law enforcement personnel, countywide leaders, contractors and planners have continued. Dozens of sessions have been held to determine as many of the basic facets of the new consolidated courts campus as possible. The next phase of the process, expected to begin within 45 days, will be the design process.

In June, 2021, a site plan for the consolidated courts project was accepted. The plan is designed to maximize use of the 32-acre site. The final site plan features parking lots on the northeast section of property. The main court building will fit into the southeast corner with the front facing northwest.

On September 28, 2021, Elkhart County Council members expressed unanimous support for continuing the work of the Elkhart Consolidated Courts project. The expression of support occurred in a Phase 1 wrap-up presentation to the assembled Elkhart County Judiciary, County Commissioners and Council Members.

ABOUT ELKHART COUNTY GOVERNMENT

Elkhart County is governed by a board of three County Commissioners. The board of Commissioners constitutes the legislative body of the county for ordinance purposes and also serves as the executive branch for Elkhart County government.

REFERENCE ARTICLES

[Steel cost us 200 percent in one year](#)

[Lumber up 377 Percent in one year](#)

[High steel prices affecting just about everything – Wall Street Journal REPORT](#)

[Building Material Prices Climbing at Record Year-to-Date Pace](#)

[Diesel's up 80%, milled copper and brass are up 44%.](#)

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