PROJECT CASE STUDY / SCHOOL DISTRICT · OPEN-BOOK CONTRACT

Palm Desert High School

Phase 3, 43-570 Phyllis Jackson Lane, Palm Desert · Desert Sands Unified School District
Project 04-090 · Prime Contractor: T.B. Penick & Sons, Inc.



Palm Desert High School. Galvanized backstop, ornamental tube steel perimeter, gates and hardware — In-Line's complete scope, in the Coachella Valley sun.

OWNER	PRIME CONTRACTOR	SUBCONTRACT	CONTRACT TYPE
Desert Sands Unified School District	**T.B. Penick & Sons, Inc.**	**2 December 2011 · No. 3137-3**	**Open-book T&M, not to exceed**

CEILING	FINAL
$244,496.00	**$226,403.80**

WE GAVE $16,932 BACK

Start there, because it is the whole point of this page.

Palm Desert High School Phase 3 was not a lump-sum job. T.B. Penick wrote it as an **open-book time-and-material contract with a hard ceiling of $244,496** — and inside that ceiling, every dollar was capped and visible:

$139,924	$60,384	$39,188	$5,000
Material invoices, not to exceed	Certified field payroll, not to exceed	Shop labour, not to exceed	In-Line's fee. That was the profit

The contract also carried a shared-savings clause: anything In-Line brought the job in under, **75% went back to the contractor and the district, and In-Line kept 25%.**

In other words: In-Line's books were open, its margin was a flat five thousand dollars, and it was contractually rewarded for spending *more*, not less — because savings were three-quarters somebody else's.

In-Line brought it in under anyway. Change Order No. 1, executed 26 June 2012, is a *deductive* change order: **minus $18,092.20**, of which **$16,932.69 was the final time-and-material adjustment** handing back the savings, and $1,159.51 credited concrete that others supplied.

Final contract: **$226,403.80.** A public school district paid eighteen thousand dollars less than it had agreed to.

Nobody audits a contractor into giving money back. You either report the real number or you do not.

WHAT IN-LINE DELIVERED

Four specification sections, complete — furnish and install, per the project design, plans, specifications and addenda.

- **02822 — Ornamental Fences and Gates.** Metal posts and concrete foundations, fence panels and gates, pipe gate posts, hold-open posts, pipe gates, gate hardware, and Knox Box brackets at the required posts.

- **05501 — Miscellaneous Metal Fabrications.** Including a **roof access ladder and cage**, trash enclosure gate posts and gates, and related hardware.
- **05525 — Steel Pipe and Tube Railings.** Guardrail at the ramp, handrail at the stairs at the bottom of the ramp, wall-mounted handrail on the CMU ramp wall, drinking fountain rails, and coring with non-shrink grout for every rail post.
- **08710 — Door Hardware**, as it applies to the ornamental gates.
- **Posts embedded in CMU retaining walls**, coordinated directly with the masonry subcontractor — set before the wall went up, because afterwards is too late.
- **Rust removal and field galvanizing at every field weld**, written into the scope.

SCOPE AT A GLANCE

Ornamental fence & gates | **Backstop** | **Pipe gates & hold-open posts** | **Roof access ladder & cage** | **Guardrail & handrail** | **Drinking fountain rails** | **Coring & non-shrink grout** | **Knox Box brackets** | **Field galvanizing** | **Trash enclosure gates**

WHY IT WAS HARD

Every worker was fingerprinted by the Department of Justice

It is a high school. The subcontract required **fingerprinting and background investigation through Livescan for every employee working at or visiting the site**, with a list of DOJ-approved employees provided before anyone set foot on the campus.

That is not paperwork. It means your workforce for that job is fixed weeks in advance, and you cannot send an unscreened hand to cover a sick day.

A written hazard analysis before every definable feature of work

T.B. Penick required a site-specific Injury and Illness Prevention Plan and a **Job Hazard Analysis — an Activity Hazard Analysis** — written and approved *before starting any definable feature of work*, reviewed and accepted by both the contractor and the construction manager.

That is the federal standard, on a school job, in 2011. In-Line was already running it. It is what we do every morning anyway.

Daily reporting, or a fine

Daily reports and sign-in sheets to the superintendent **by 8:00 am the following day** — with $100 per occurrence for late reports and $250 per day for failing to clean up. On an open-book contract, the paperwork *is* the payment.

Coachella Valley heat, and a campus in session

Palm Desert in summer is one of the hottest places anyone builds in California. Continuous dust control was required, work in multiple areas at once was required, and separate crews had to be provided to hold the construction schedule.

$244,496
Contract ceiling

–$18,092
Change Order No. 1, deductive

$226,404
Final contract value

$5,000
In-Line's contracted fee

Insured under the Statewide Educational Wrap Up Program (SEWUP) owner-controlled insurance programme. Prevailing wage with certified payroll and mandatory labour compliance training. Closed out with a Contractor's Completion Notice.

THE RESULT

Palm Desert High School got its backstop, its ornamental perimeter, its gates, its ramp railings, its roof access and its drinking fountain rails — and the district got eighteen thousand dollars back it had already agreed to spend.

T.B. Penick hired In-Line again. Crawford High School and the University Center bike and pedestrian improvements both followed.

An open book only works if the contractor writing in it tells the truth when nobody would ever have known. That is not a marketing claim on this project. It is a signed deductive change order.

WHY GENERAL CONTRACTORS TRUST IN-LINE WITH AN OPEN BOOK

A time-and-material contract with a not-to-exceed ceiling is the most exposed position a general contractor can put a subcontractor in. It only works with the right subcontractor.

- **Our numbers are auditable.** Material invoices, certified payroll, shop hours — separated, capped, documented and submitted. We built the reporting to be checked.
- **We report savings we could have kept quiet about.** Documented, on this project, in a signed change order that reduced our own contract.
- **We clear school-district screening.** DOJ Livescan, labour compliance training, prevailing wage, certified payroll and daily reporting — routine for us.
- **We write the hazard analysis before the work, not after the incident.**
- **We carry the whole metal scope.** Ornamental fence, gates, misc metals, railings and gate hardware — four specification sections, one subcontractor.
- **We are certified, bonded, signatory, and safe.** DBE · SBE · SLBE · SB · HUBZone · SBA 8(a). Union affiliated, Local 89 & Local 12. CSLB C-13, C-51, C-32. Bonded through Old Republic Surety, rated A+ XV. **EMR 0.68.**

Desert Sands Unified, San Diego Unified, Cabrillo Community College District, the University of California, the County of Los Angeles, Caltrans, SANDAG, MTS, SDG&E, the FAA and four branches of the armed services. One standard.

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