

Team City Hall

March 2006

Milwaukee Historic City Hall *Restoration Project Participation Performance*

This Quarterly Report illuminates construction participation performance on the Milwaukee City Hall Historic Building Restoration Project for the period from November 1, 2005 through January 31, 2006. The work continues under General Contractor J.P. Cullen & Sons, Inc., with Project Monitoring provided by Prism Technical.

REQUIREMENTS

Similar to other City of Milwaukee / Department of Public Works projects, the City Hall Restoration (CHR) Project requires the contractor to ensure that (1) a percentage of the contractual dollars are spent with businesses certified by the City's Emerging Business Enterprise Program and (2) a percentage of the onsite construction hours are worked by individuals certified under the City's Residents Preference Program. Additionally, there are requirements regarding the employment of apprentices.

While the contractor is required to provide quarterly reports to the Department of Public Works ("DPW"), the project does not explicitly require quarterly participation achievement levels. Certain workforce levels should be achieved each quarter, per the project's RPP Implementation Plan™ (which is discussed in full herein), but as a general rule, the contractor is primarily required to ensure that when the project concludes -- in late 2008

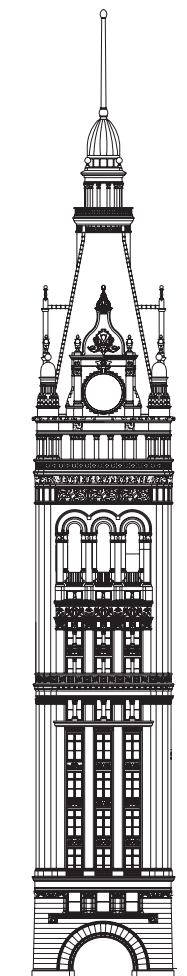
-- the subcontracting, workforce and apprenticeship requirements have been met for the project as a whole. The specific requirements for the CHR Project are as follows:

Emerging Businesses

At least 18% of the amount paid to the general contractor must ultimately be paid to businesses certified as Emerging Business Enterprises (EBEs) by the City of Milwaukee's Emerging Business Enterprise Program. This does not imply that the contractor is required to show 18% EBE levels throughout the Project. EBE contractors attached to this Project (and discussed below) are not spread equally among the various trades associated with the project, and their work is not spread evenly over the many months during which this project will take place -- during some accounting periods, the EBE percentage may be well below 18%; during others, it may be well above 18%.

Residents Preference Program

At least 25% of the hours worked on the Project by onsite construction personnel must be by individuals certified under the City's Residents Preference Program (RPP). As with EBE, this does not imply that the contractor is required to show 25% RPP levels throughout the Project. Unlike EBE, however, the contractor does need to meet certain self-imposed RPP commitments during the life of the Project. These commitments are discussed in greater detail in the RPP section below.



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Apprentices

At least six apprentices, working a total of not less than 10,000 hours, must be employed on the Project, and must come from the following trades: Bricklayers, Glaziers and Roofers.

REPORTING

J.P. Cullen is required to submit monthly EBE payment reports and quarterly RPP participation reports. Beyond these requirements, the company has agreed to collect, measure, and share the Project's RPP performance with the Project Monitor on a monthly basis. Performing such activities monthly will help maintain tight control of jobsite performance and reporting, allowing potential pitfalls to be rapidly addressed, or avoided altogether. Such monthly attention to the Project has already resulted in early resolution of a number of procedural issues and other formalities between the issuance of the previous quarterly report and this one.

EBE Participation

The Project, projected to cost \$59,927,218, has an Emerging Business Enterprise (EBE) requirement of 18%, or \$10,786,899; in other words, when the Project is complete in 2008, J.P. Cullen must demonstrate payment of at least \$10,786,899 to EBE certified firms.

EBE Projections

EBE subcontractors on the project can be found in Table 1.

Table 1 - EBE Subcontractors

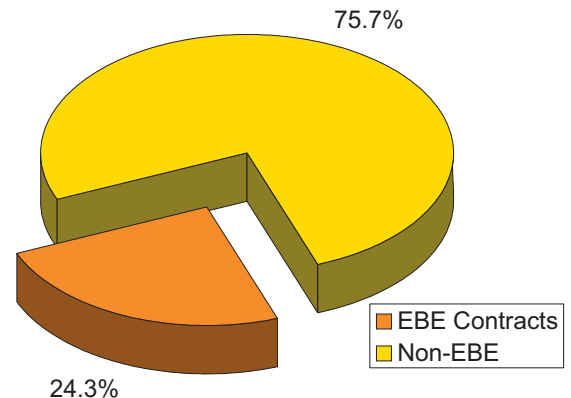
Name of Firm	Scope of Work	Contract Amount
Arteaga Construction	HVAC; Masonry; Brick	\$2,726,181
Roberts Roofing	Roofing	3,806,848
Thomas A Mason	Painting, Masonry, Cleaning	5,733,229
B&D Contractors	Scaffold Labor	358,849
J F Cook	Windows	1,932,000
Ojibwa Ready Mix	Concrete Supplier	17,622
PL Freeman Co	Plumbing	4,600
Affirmative Supply*	Mechanical Equipment Supplier	4,800
The Pennebaker Enterprises, LLC**	Roofing	704,000

* Per the Participation Provisions of the Project, Affirmative Supply is classified as a broker; accordingly, 20% (\$960) of its contract value can be counted toward EBE participation.

** Pennebaker is a subcontractor to Roberts; its contract value is therefore included in Roberts' contract value for the purpose of calculating total EBE participation.

Through January 31, 2006, nine EBE subcontractors had finalized contracts in hand, totaling \$15,288,129. Of that total, \$14,580,289 of the dollars pledged to EBE firms may be counted toward the Project's EBE participation (see Table 1, and notes thereto). The currently projected EBE Participation, therefore, yields an EBE Participation Rate of 24.3%, well over the Project's 18% requirement.

Chart 1 - EBE Subcontracts



EBE Payment Performance

As noted earlier, the Project's 18% EBE requirement does not imply that at any given moment, EBE firms must have received 18% of all project payments. Such a requirement would be akin to requiring that window replacement, terra cotta removal and the copper roof all be done at the same time. As long as all of the required elements are properly completed at project conclusion, the contractor will not have run afoul of its promises. Just as different tasks will be completed at different times -- and, in fact, because of this -- various EBE firms will be deployed on the project in stages, and will consequently be paid at varying times commensurate with when their work is performed. Thus, the appropriate measuring sticks are (1) whether EBE firms have commitments for at least 18% of the project's contractual dollars; (2) whether those EBE firms which have contracts are working on the project when their contemplated scopes of work are undertaken; and (3) whether those EBE firms which have completed work on the project, and billed the general contractor, have been paid in a full and timely fashion following J.P. Cullen's receipt of payment from DPW.

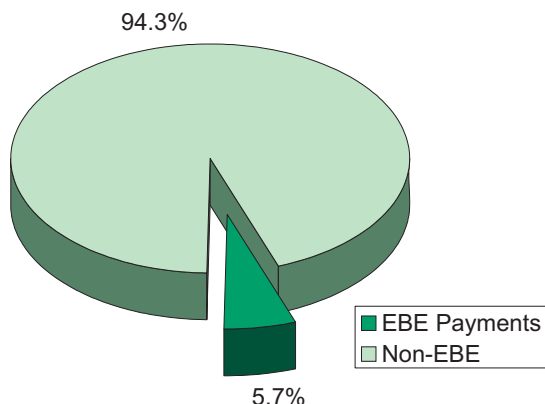
Through the end of the Second Project Quarter (November, 2005 through January, 2006), J.P. Cullen received \$9,266,848.68 for work completed on the City Hall Restoration Project. Of the amount received by the GC, \$528,833.47 or 5.7% was paid to EBE contractors for work performed during the quarter.



Total amounts received by first-tier EBE subcontractors through the end of the quarter are as follows:

Arteaga Construction:	\$ 44,586.00
B & D Contractors:	59,458.35
Thomas A. Mason:	379,789.12
Robert's Roofing:	45,000.00
Total	\$ 528,833.47

Chart 2 - EBE Payments as of January 31, 2006



Temporary Payment Imbalance

Casual observers might question why only 5.7% of the project payments have gone to EBE firms when such firms hold 24.3% of the project contracts. The answer is found in Table 2A and 2B and Charts 3 and 4, which address the impact of scaffolding on current EBE payments.

While the total scaffolding contract for the CHR project represents 16.8% of the total construction expenditures, it has represented nearly two-thirds (64.8%) of all project invoices through December 31, 2005. Had scaffolding been amortized over the life of the project, the appearance of an imbalance related to EBE subcontractors would not have been as great.

Further, the scaffolding contractor will only have 3.6% EBE participation by the project's conclusion. Additionally, the scaffolding EBE participation is oriented more towards removal labor assistance than erection (both provided by B&D Contractors). As of January 31, 2006, while the scaffolding contractor

had invoiced 59.7% of its total contract, B&D had invoiced a significantly lower percentage of its contract and had been paid \$59,458, or only 16.6%, of its \$ 358,849 contract for erection services.

EBE contracts represent approximately 28.5% of the non-scaffolding work to be done on the CHR project. Thus, the imbalance in payments to EBE firms is expected to gradually disappear as the project progresses.

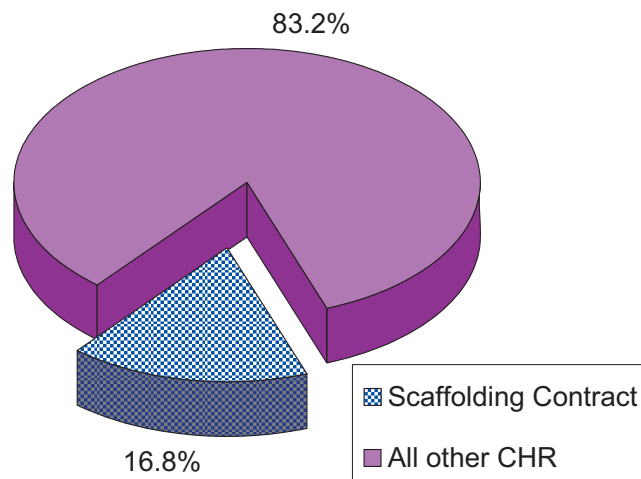
Table 2A: Scaffolding vs EBE / Contracts

Project Portion	Amount	% of Project
Total Project	\$59,927,218	100.00%
All EBE Contracts	14,584,129	24.30%
Scaffolding Contracts	10,050,305	16.80%
Total Project Less Scaffolding	49,876,913	83.20%

Table 2B: Table 2 Relative Significance

Project Portion	Amount	Significance
Scaffolding EBE Participation	\$ 358,849	3.6% of Scaffolding Total
EBE for Project less Scaffolding	14,225,280	28.5% of Project Less Scaffolding
Total Project Invoices through 1/31/06	9,266,848	15.5% of Total Project Cost
Scaffolding Invoices through 1/31/06	6,003,875	59.7% of Scaffolding Contracts 64.8% of Total Project Invoices

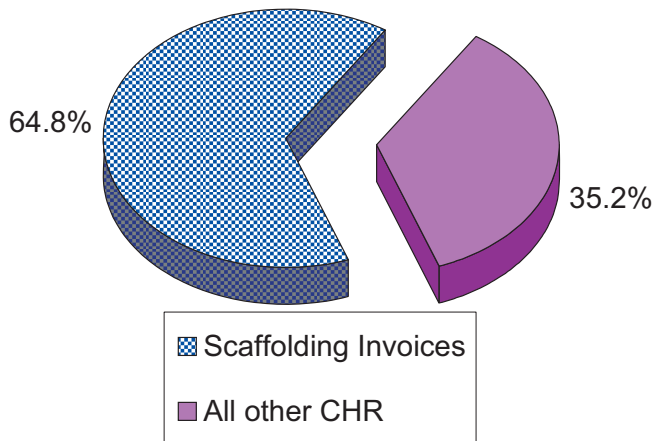
Chart 2 Scaffolding Contract Comparison



One of several exterior City Hall images



Chart 3 Scaffolding Invoice Comparison



RPP Participation

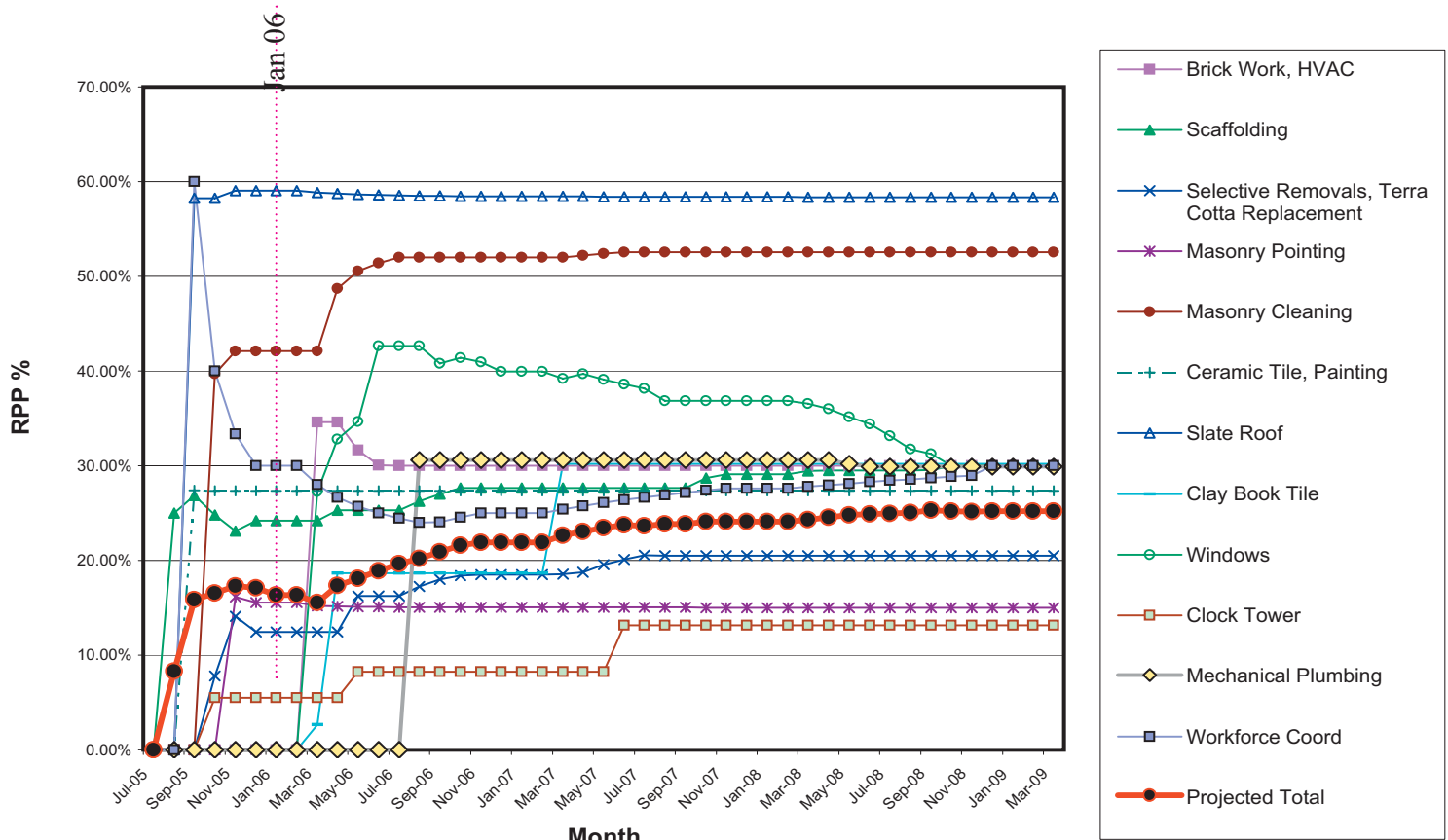
The RPP Implementation Plan™

As with the deployment of Emerging Businesses, the CHR project, which extends for nearly four years, will

have varying Residents Preference Program percentages over its life. While the contractor is not required to show 25% RPP levels at every quarterly reporting period, it is required to provide a written plan indicating how it will achieve the workforce participation by month throughout the life of the project. Projections and performance, provided by the General Contractor (GC), are tracked in the Prism Technical produced RPP Implementation Plan™. Per the GC's contract with the Department of Public Works, J.P. Cullen must meet the Implementation Plan thresholds on a quarterly basis; if it does not, a process begins which could lead to the withholding of payments to the contractor until it achieves the appropriate participation performance levels.

RPP is treated differently from EBE for three very simple reasons: (1) EBE firms are issued legally binding contracts; RPP workers are not; (2) because of the time necessary to train some workers before they are proficient at certain project tasks, if the GC or any of its many subcontractors fail to remain diligent in the area of workforce preparation, and get behind schedule with

Chart 4 : The J.P. Cullen & Sons RPP Implementation Plan™



respect to RPP participation, it may become impossible to recover before the end of the project; and (3) designing and implementing workforce participation that considers more than the necessary skill sets is not a conventional industry practice; therefore, this process compels all contractors not to neglect this important community benefit.

RPP Performance

Per the RPP Implementation Plan™, the project's RPP percentage was projected to be 16.37% through the end of the second project quarter. After the resolution of several issues which hampered recognizing RPP hours expected by the contractor to be counted (such as subcontractors believing that workers were certified when they were, in fact, not; certified workers moving – either within, or outside of, the RPP target area; and varying accounting methods among the parties) through diligence by the contractor, the City and the Project Monitor, actual RPP% through January 2006 stood at 20.83% - nearly 4.5 percentage points higher than projected.

One Time Plan Adjustment

It should be noted that an earlier draft of the project's Implementation Plan projected total RPP Percentage through January, 2006 at 20.5% (a value the contractor has exceeded). The contractor was allowed to voluntarily submit a revised Implementation Plan to compensate for the project's late start and subcontractor RPP certification challenges. This revised Implementation Plan, which was received in electronic form by the Project Monitor in March, 2006, is not considered a Remedial Plan, and does not begin any tolling of time related to potential financial penalties.

Despite early challenges, it is clear that the contractor is committed to meeting and, if possible, exceeding, the project's participation requirements. While the project is still quite young, J.P. Cullen was quick to address early shortfalls with the Project's subcontractors and has righted the ship straight away. It will be important for the contractor to remain on course, applying pressure where necessary to continue the current success. At this point of the journey, smooth sailing appears on the horizon.

RPP Enforcement Efforts

J.P. Cullen tracks each subcontractor's total hours and RPP hours monthly. If any subcontractor's RPP percentage does not match that which was listed on the Implementation Plan (and included in contractual Addenda), the company will receive a letter from the General Contractor requesting submission of an action plan regarding how the company plans

to get back on track. If J.P. Cullen does not receive the action plan within three business days, the company's payment from the GC will be withheld until the action plan is received. All correspondence regarding such action plans are to be shared with the Project Monitor.

Table 3: Subcontractor RPP Requirements

Subcontractor	Trade	RPP C*	Expected RPP Hours
Arteaga	HVAC; Masonry	30.0%	9,111
Safway Services	Scaffolding	30/0%	9,996
Eugene Matthews	Selective Removals; Terra Cotta	21.0%	9,000
Grunau	Mechanical Plumbing	30.0%	128
Jahn & Sons	Drywall	0.0%	0
J.F. Cook	Windows	30.0%	4,064
Lee Manufacturing	Clock Tower	13.2%	108
Peerless Electric	Electrical	0.0%	0
RC Masonry	Masonry Pointing	15.0%	690
Roberts Roofing	Roofing	48.0%	23,627
Thomas A. Mason	Masonry Cleaning; Ceramic Tile; Painting	30.0%	19,098
Western Waterproofing	Clay Book Tile	30.0%	3,785

*RPP Commitment

Community Workforce Advisory Committee

Embracing a suggestion by the Project Monitor, J.P. Cullen has begun working with a CHR Community Workforce Advisory Committee (CHR-CWAC). The CHR-CWAC is composed of grass-roots community leaders who (1) meet with the J.P. Cullen personnel to learn the challenges that the General Contractor has in trying to meet the workforce requirements; (2) help with recruitment of necessary workers; and (3) in the face of any misinformation, are armed with facts about the efforts made by the City, J.P. Cullen, BIG STEP and the Monitor to achieve the Project's requirements.

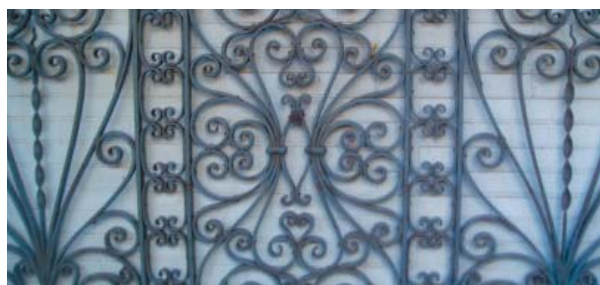
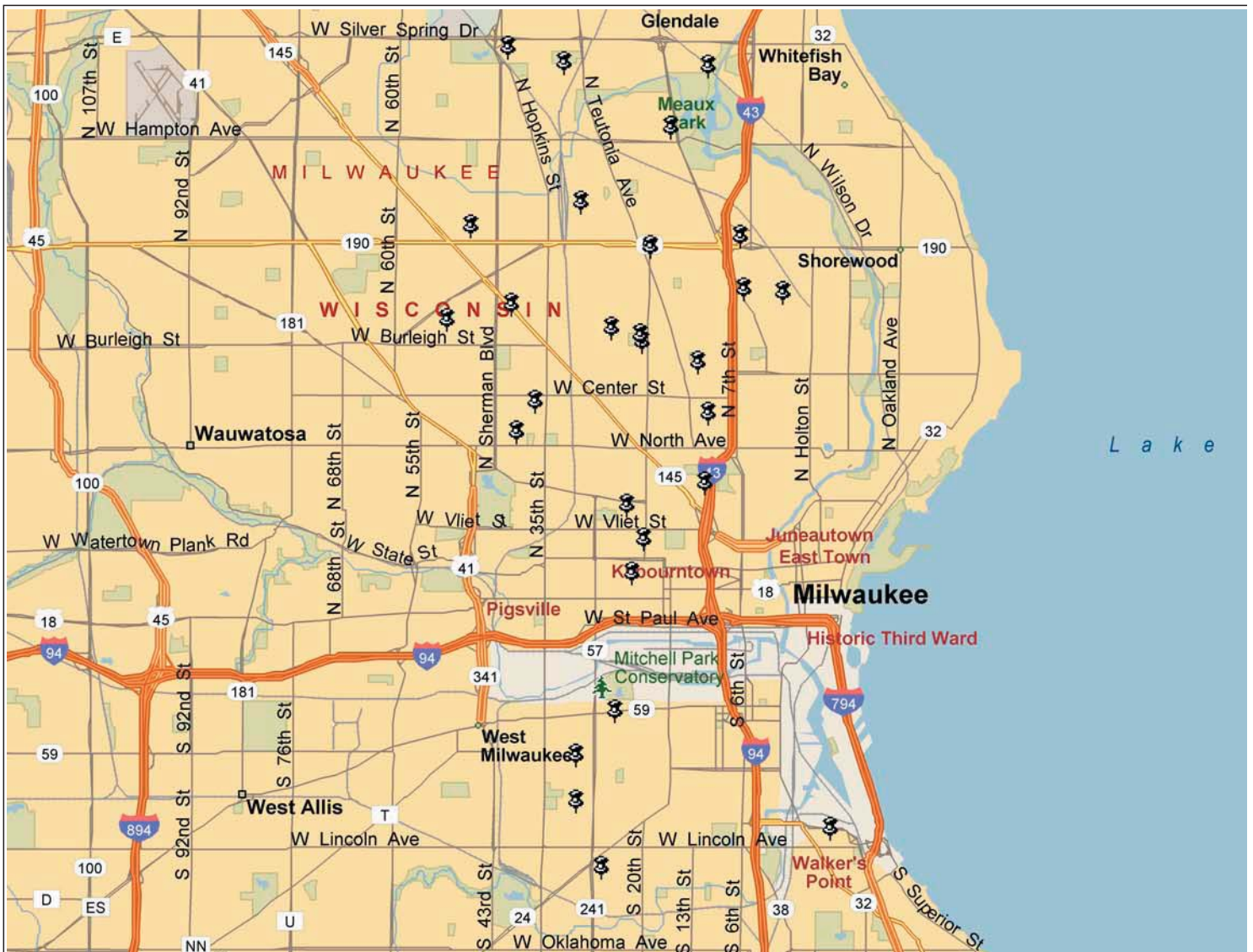


Chart 4: Residents Preference Program Workforce Residences



The CHR-CWAC (shown below in a planning meeting) will eventually gather on a quarterly basis, but has met more frequently during the Project's early stages in order to quickly scale the learning curve. In conjunction with BIG STEP, the committee has hosted informational sessions for a number of interested residents.



Minority Workforce

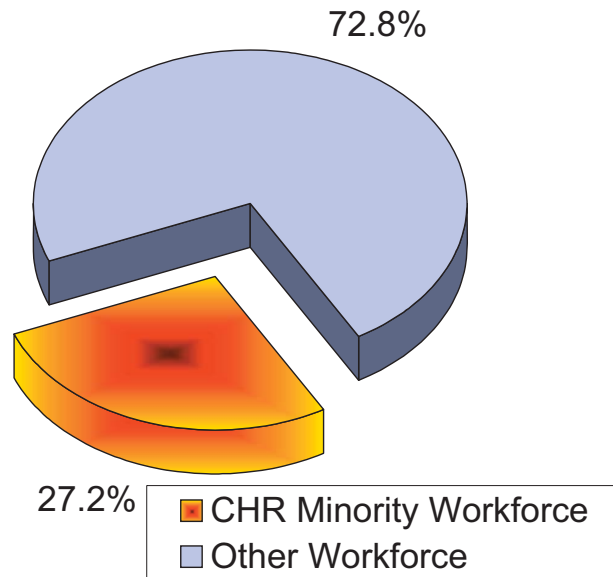
While strongly committed to reaching the project's contractually imposed requirements, J.P. Cullen has also voluntarily agreed to strive toward reaching another goal – a 25% minority workforce on the project. It cannot be stressed enough that this is not a requirement, and J.P. Cullen will neither be financially compensated if it achieves this goal, nor penalized if it does not. Nonetheless, the firm's leadership believes it to be a worthy goal and is taking steps to achieve it (such as the Advisory Committee, discussed above).

Through January 31, 2006, minorities worked 8,721.5 hours, or 27.4% of the total onsite construction hours.

Table 4: RPP and Minority Percentage by Contractor

Contractor	Total Hours	RPP%	Minority%
J.P. Cullen & Sons	10,412.50	24.3	19.6
Arteaga Construction	139.00	9.4	9.4
B & D Contractors	1,460.50	43.0	61.4
F.J.A. Christiansen Roofing	11.00	0.0	50.0
J.F. Cook Co.	16.50	0.0	0.0
Doral Corporation	884.50	10.4	25.2
Thomas A. Mason Company	2,691.50	32.7	29.8
National Construction Rentals	130.25	0.0	37.8
Peerless Electric	1,868.00	0.0	0.0
Robert's Roofing	311.00	0.0	0.0
Safway Services	11,443.50	17.9	33.7
PROJECT TOTAL	31,855.75	20.8	27.4

Chart 5: Minority Worker Participation (Hours)



Apprentice Utilization

Through January 31, 2006, two apprentices among the three specified trades (bricklayers, glaziers and roofers) had worked 83 hours on the project. The vast majority of the work done by these trades is yet to come. As of the end of the second quarter, several workers were undergoing apprenticeship training. On the project as a whole, apprentices had worked 2,891.5 hours, or, 9.1% of all onsite construction hours through the end of the quarter.

Summary

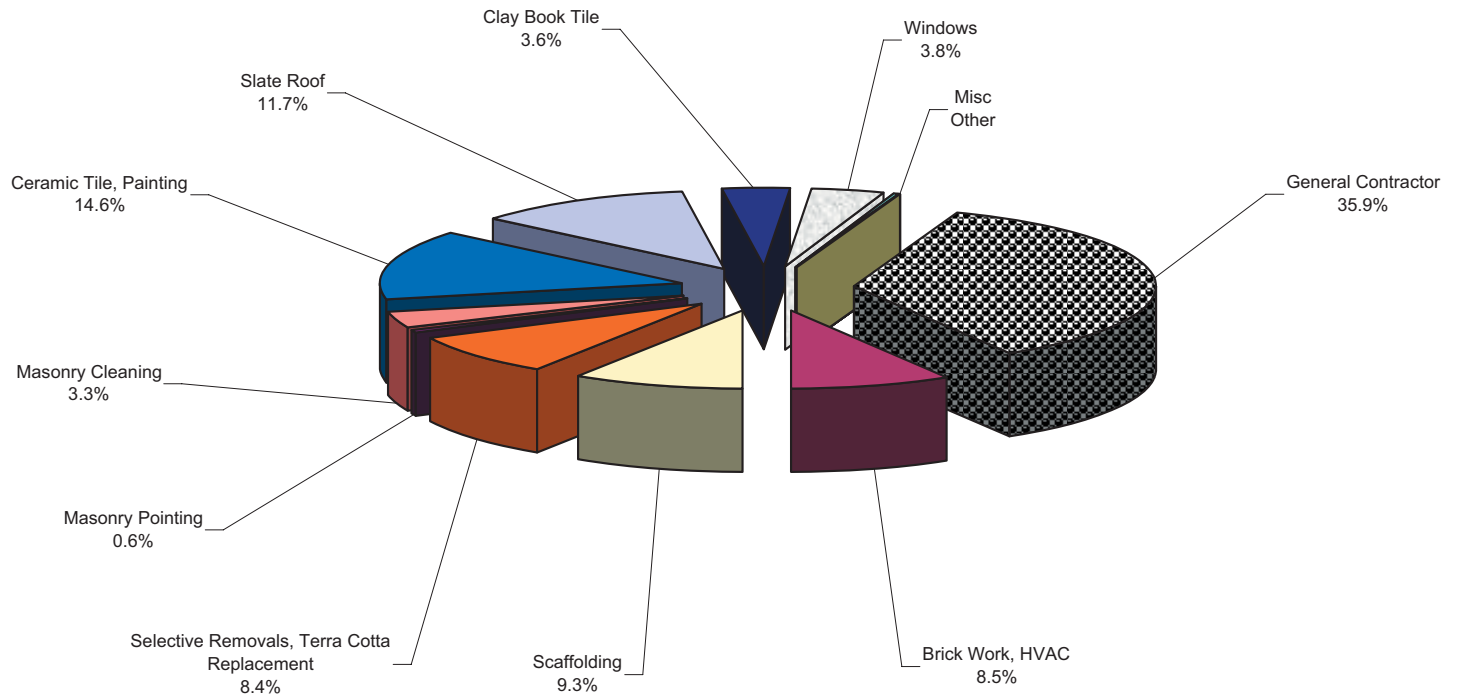
The City Hall Restoration Project is moving ahead steadily with a general contractor that is vigilant about meeting the project's participation requirements, and doing so completely above board, with innovative means and measuring sticks.

Through the end of the Second Project Quarter – January 31, 2006, the Residents Preference Program participation percentage was 20.83%, well over the projection. Emerging Business Enterprises have contracts for 24.3% of the total project construction dollars, well over the requirement. Apprentices are being trained, and outreach is occurring to bring more to the table. Furthermore, the voluntary commitment to have a 25% minority workforce is in great shape, with the percentage at 27.4% through the end of the quarter.

Based on current facts, there is no reason to believe that any of the project's goals will not be achieved.



Chart 6: How will the RPP Particiaption be Acheived?



This document produced by
Prism FX a division of:

Prism Technical
6114 W Capitol Drive Suite 200
Milwaukee, WI 53216

414.847.0990
414.847.0992

www.prismtechnical.com

