

AECOM TECHNOLOGY CORP
Form 10-K
November 22, 2010

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission file number 0-52423

AECOM TECHNOLOGY CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

61-1088522
(I.R.S. Employer Identification No.)

**555 South Flower Street, Suite 3700
Los Angeles, California 90071**

(Address of principal executive offices, including zip code)

(213) 593-8000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock, par value \$0.01 per share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-K

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The aggregate market value of registrant's common stock held by non-affiliates on March 31, 2010 (the last business day of the registrant's most recently completed second fiscal quarter), based upon the closing price of a share of the registrant's common stock on such date as reported on the New York Stock Exchange was approximately \$2.58 billion.

Number of shares of the registrant's common stock outstanding as of November 12, 2010: 118,536,595

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the registrant's definitive proxy statement for the 2011 Annual Meeting of Stockholders, to be filed within 120 days of the registrant's fiscal 2010 year end.

Table of Contents

TABLE OF CONTENTS

<u>ITEM 1.</u>	<u>BUSINESS</u>	<u>Page</u> <u>1</u>
<u>ITEM 1A.</u>	<u>RISK FACTORS</u>	<u>13</u>
<u>ITEM 1B.</u>	<u>UNRESOLVED STAFF COMMENTS</u>	<u>21</u>
<u>ITEM 2.</u>	<u>PROPERTIES</u>	<u>21</u>
<u>ITEM 3.</u>	<u>LEGAL PROCEEDINGS</u>	<u>21</u>
<u>ITEM 4.</u>	<u>(REMOVED AND RESERVED)</u>	<u>21</u>
<u>ITEM 5.</u>	<u>MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF SECURITIES</u>	<u>22</u>
<u>ITEM 6.</u>	<u>SELECTED FINANCIAL EQUITY DATA</u>	<u>25</u>
<u>ITEM 7.</u>	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>26</u>
<u>ITEM 7A.</u>	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>50</u>
<u>ITEM 8.</u>	<u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	<u>52</u>
<u>ITEM 9.</u>	<u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	<u>104</u>
<u>ITEM 9A.</u>	<u>CONTROLS AND PROCEDURES</u>	<u>104</u>
<u>ITEM 9B.</u>	<u>OTHER INFORMATION</u>	<u>105</u>
<u>ITEM 10.</u>	<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	<u>106</u>
<u>ITEM 11.</u>	<u>EXECUTIVE COMPENSATION</u>	<u>106</u>
<u>ITEM 12.</u>	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	<u>106</u>
<u>ITEM 13.</u>	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	<u>106</u>
<u>ITEM 14.</u>	<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	<u>106</u>
<u>ITEM 15.</u>	<u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	<u>106</u>

Table of Contents

PART I

ITEM 1. BUSINESS

In this report, we use the terms "AECOM," "the Company," "we," "us" and "our" to refer to AECOM Technology Corporation and its consolidated subsidiaries. Unless otherwise noted, references to years are for fiscal years. Our fiscal year consists of 52 or 53 weeks, ending on the Friday closest to September 30. For clarity of presentation, we present all periods as if the year ended on September 30. We refer to the fiscal year ended September 30, 2009 as "fiscal 2009" and the fiscal year ended September 30, 2010, as "fiscal 2010."

Overview

We are a leading global provider of professional technical and management support services for commercial and government clients around the world. We provide planning, consulting, architectural and engineering design, and program and construction management services for a broad range of projects, including highways, airports, bridges, mass transit systems, government and commercial buildings, water and wastewater facilities and power transmission and distribution. We also provide program and facilities management and maintenance, training, logistics and other support services, primarily for agencies of the U.S. government.

Through our network of approximately 48,100 employees (as of September 30, 2010), we provide our services in a broad range of end markets, including the transportation, facilities, environmental, energy, water and government markets. According to Engineering News-Record's (ENR) 2010 Design Survey, we are the largest general architectural and engineering design firm in the world, ranked by 2009 design revenue. In addition, we are ranked by ENR as the leading firm in a number of design end markets, including transportation and general building.

We were formed in 1980 as Ashland Technology Company, a Delaware corporation and a wholly owned subsidiary of Ashland, Inc., an oil and gas refining and distribution company. Since becoming independent of Ashland Inc., we have grown by a combination of organic growth and strategic mergers and acquisitions from approximately 3,300 employees and \$387 million in revenue in fiscal 1991, the first full fiscal year of operations, to approximately 48,100 employees at September 30, 2010 and \$6.5 billion in revenue for fiscal 2010. We completed the initial public offering of our common stock in May 2007 and such shares are traded on the New York Stock Exchange.

We offer our services through two business segments: Professional Technical Services and Management Support Services.

Professional Technical Services (PTS). Our PTS segment delivers planning, consulting, architectural and engineering design, and program and construction management services to commercial and government clients worldwide in major end markets such as transportation, facilities, environmental, energy, water and government markets. For example, we are providing program management services through a joint venture for the Second Avenue subway line in New York City, development management services to create the new Saadiyat Island Cultural District in Abu Dhabi and engineering and environmental management services to support global energy infrastructure development for a number of large petroleum companies. Our PTS segment contributed \$5.4 billion, or 82% of our fiscal 2010 revenue.

Management Support Services (MSS). Our MSS segment provides program and facilities management and maintenance, training, logistics, consulting, technical assistance and systems integration services, primarily for agencies of the U.S. government. For example, we manage more than 8,000 personnel in Kuwait that provide logistics, security, communications and information technology services for the U.S. Army Central Command-Kuwait. We also provide organizational and limited direct support services for equipment sent to the U.S. Army's Corpus Christi Depot in Texas. Our MSS segment contributed \$1.1 billion, or 18% of our fiscal 2010 revenue.

Table of Contents

Our Business Strategy

Our business strategy focuses on leveraging our competitive strengths and leadership positions in our core markets while opportunistically entering new markets and geographies. Key elements of our strategy include:

Expand our long-standing client relationships and provide our clients with a broad range of services

We have long-standing relationships with a number of large corporations, public and private institutions and governmental agencies worldwide. We will continue to focus on client satisfaction along with opportunities to sell a greater range of services to clients and deliver full-service solutions for their needs. For example, as our environmental business has grown, we have provided environmental services for transportation and other infrastructure projects where such services have in the past been subcontracted to third parties.

By integrating and providing a broad range of services, we believe we deliver maximum value to our clients at competitive costs. Also, by coordinating and consolidating our knowledge base, we believe we have the ability to export our leading edge technical skills to any region in the world in which our clients may need them.

Capitalize on opportunities in our core markets

We intend to leverage our leading positions in the transportation, facilities, environmental, energy, water and government markets to continue to expand our services and revenue. We believe that the need for infrastructure upgrades, environmental management and government outsourcing of support services, among other things, will result in continued opportunities in our core markets. With our track record and our global resources, we believe we are well positioned to compete for projects in these markets.

Continue to pursue our acquisition strategy

We intend to continue to attract other successful companies whose growth can be enhanced by joining us. This approach has served us well as we have strengthened and diversified our leadership positions geographically, technically and across end markets. We believe that the trend towards consolidation in our industry will continue to produce candidates that align with our acquisition strategy.

Strengthen and support human capital

Our experienced employees and management are our most valuable resources. Attracting and retaining key personnel has been and will remain critical to our success. We will continue to focus on providing our personnel with training and other personal and professional growth opportunities, performance-based incentives, opportunities for stock ownership and other competitive benefits in order to strengthen and support our human capital base. We believe that our employee stock ownership and other programs align the interests of our personnel with those of our clients and stockholders.

Our Business Segments

The following table sets forth the revenue attributable to our business segments for the periods indicated(1):

	Year Ended September 30, (in thousands)		
	2010	2009	2008
Professional Technical Services (PTS)	\$ 5,393,729	\$ 5,057,688	\$ 4,327,871
Management Support Services (MSS)	1,152,062	1,061,777	866,811
Total	\$ 6,545,791	\$ 6,119,465	\$ 5,194,682

(1) For additional financial information by segment, see Note 22 to the notes to our consolidated financial statements.

Table of Contents

Our Professional Technical Services Segment

Our PTS segment is comprised of a broad array of services, generally provided on a fee-for-service basis. These services include planning, consulting, architectural and engineering design, program management and construction management for industrial, commercial, institutional and government clients worldwide. For each of these services, our technical expertise includes civil, structural, process, mechanical, geotechnical systems and electrical engineering, architectural, landscape and interior design, urban and regional planning, project economics, and environmental, health and safety work.

With our technical and management expertise, we are able to provide our clients with a broad spectrum of services. For example, within our environmental management service offerings, we provide remediation, regulatory compliance planning and management, environmental modeling, environmental impact assessment and environmental permitting for major capital/infrastructure projects.

Our services may be sequenced over multiple phases. For example, in the area of program management and construction management services, these services may begin with a small consulting or planning contract, and may later develop into an overall management role for the project or a series of projects, which we refer to as a program. Program and construction management contracts typically employ a staff of 10 to more than 100 and, in many cases, operate as an outsourcing arrangement with our staff located at the project site. For example, since 1990, we have been managing renovation work at the Pentagon for the U.S. Department of Defense. Another example of our program and construction management services would be our services related to the development of educational facilities for K-12 school districts and/or community colleges throughout the United States, including the cities of Dallas, Los Angeles and Houston.

We provide the services in our PTS segment both directly and through joint ventures or similar partner arrangements to the following key end markets:

Transportation.

Transit and Rail. Projects include light rail, heavy rail (including high speed, commuter and freight) and multimodal transit projects. For example, we have provided engineering design services for the new World Trade Center Terminal for PATH and the Second Avenue Subway (8.5-mile rail route and 16 stations) in New York City, the Ma On Shan Rail (7-mile elevated railway) in Hong Kong, and Crossrail (74-mile railway) in the United Kingdom.

Marine, Ports and Harbors. Projects include wharf facilities and container port facilities for private and public port operators. For example, we have provided marine design and engineering services for container facilities in Hong Kong, the Ports of Los Angeles, Long Beach, New York and New Jersey, the new \$7 billion Doha Port project in Qatar and waterfront transshipment facilities for oil and liquid natural gas.

Highways, Bridges and Tunnels. Projects include interstate, primary and secondary urban and rural highway systems and bridge projects. For example, we have provided engineering services for the SH-130 Toll Road (49-mile "greenfield" highway project) in Austin, Texas, the Sydney Orbital Bypass (39 kilometer highway) in Sydney, Australia and the Padma bridge (5.58 kilometer span) crossing the Padma River in Bangladesh.

Aviation. Projects include landside terminal and airside facilities and runways as well as taxiways. For example, we have provided program management services to a number of major U.S. airports, including O'Hare International in Chicago, Los Angeles International, John F. Kennedy and La Guardia in New York City, Reagan National and Dulles International in Washington, D.C., and Miami International. We also have provided services to airports in Hong Kong, London, Cyprus and Qatar.

Table of Contents

Facilities.

Government. Projects include our emergency response services for the Department of Homeland Security, including the Federal Emergency Management Agency and engineering and program management services for agencies of the Department of Defense. We also provide architectural and engineering services for several national laboratories, including the laboratories at Hanford, Washington and Los Alamos, New Mexico.

Industrial. Projects include industrial facilities for a variety of niche end markets including manufacturing, distribution, aviation, aerospace, communications, media, pharmaceuticals, renewable energy, chemical, and food and beverage facilities.

Urban Master Planning/Design. Projects include design services, landscape architecture, general policy consulting and environmental planning projects for a variety of government, institutional and private sector clients. For example, we have provided planning and consulting services for the Olympic Games sites in Atlanta, Sydney, Beijing, Salt Lake City and London. We are providing strategic planning and master planning services for new cities and major mixed use developments in China, Southeast Asia, the Middle East, North Africa, the United Kingdom and the United States.

Commercial and Leisure Facilities. Projects include corporate headquarters, high-rise office towers, historic buildings, hotels, leisure, sports and entertainment facilities, hospitals and healthcare facilities and corporate campuses. For example, we provided electronic security programming and installation services for the renovation of Soldier Field in Chicago, construction management for the renovation of Dodger Stadium in Los Angeles, design services for Barclays Center Arena in Brooklyn and building services, engineering, architectural lighting, advanced modeling, infrastructure and utilities engineering and advanced security for the headquarters of the British Broadcasting Company in London.

Institutional. Projects include engineering services for college and university campuses, including the new Kennedy-King College in Chicago, Illinois. We also have undertaken assignments for Oxford University in the United Kingdom, Pomona College and Loyola Marymount University in California.

Healthcare. Projects include design services for the Mayo Clinic Gonda Building in Rochester, Minnesota, University Hospital in Dubai Healthcare City and the Samsung Cancer Center in Seoul, Korea. We also have undertaken assignments for the new Veterans Affairs Medical Center in Orlando, Florida, and the Minneapolis campus of Children's Hospitals and Clinics of Minnesota.

Correctional. Projects include the planning, design, and construction of detention and correction facilities throughout the world. For example, we provided construction management services for the construction of the California State Prison Kern County Delano II, justice design and security consulting services for a multi-custody correctional complex for the Sultanate of Oman, Royal Police Force, architecture and engineering services for the Coleman Federal Correctional Complex in Florida and architecture services for the Grayville, Illinois Maximum Security Correctional Center.

Environmental.

Water and Wastewater. Projects include treatment facilities as well as supply, distribution and collection systems, stormwater management, desalinization, and other water re-use technologies for metropolitan governments. We have provided services to the Metropolitan Water Reclamation District of Greater Chicago's Calumet and Stickney wastewater treatment plants, two of the largest such plants in the world. Currently, we are working with New York City on the Bowery Bay facility reconstruction, and have had a major role in Hong Kong's Harbor Area Treatment Scheme for Victoria Harbor.

Table of Contents

Environmental Management. Projects include remediation, waste handling, testing and monitoring of environmental conditions and environmental construction management for private sector clients. For example, we have provided environmental remediation, restoration of damaged wetlands, and services associated with reduction of greenhouse gas emissions for large multinational corporations, and we also have provided permitting services for pipeline projects for major energy companies.

Water Resources. Projects include regional-scale floodplain mapping and analysis for public agencies, along with the analysis and development of protected groundwater resources for companies in the bottled water industry.

Energy/Power.

Demand Side Management. Projects include energy efficient systems for public K-12 schools and universities, health care facilities, and courthouses and other public buildings, as well as energy conservation systems for utilities.

Transmission and Distribution. Projects include power stations and electric transmissions and distribution and co-generation systems, including enhanced electrical power generation in Stung Treng, Cambodia. These projects utilize a wide range of services that include consulting, forecasting and surveying to detailed engineering design and construction management.

Alternative/Renewable Energy. Projects include production facilities such as ethanol plants, wind farms and micro hydropower and geothermal subsections of regional power grids. We typically provide site selection and permitting, engineering, procurement and construction management and related services.

Hydropower/Dams. Projects include hydroelectric power stations, dams, spillways, and flood control systems including the Song Ba Ha Hydropower Project in Vietnam, the Pine Brook Dam in Boulder County, Colorado and the Peribonka Hydroelectric Power Plant in Quebec, Canada.

Solar. Projects include performing environmental work for the solar photovoltaic Brockton Brightfield project in New England, and environmental permitting services for the California Energy Commission to permit the development of a 250 MW solar thermal power plant in the Mojave Desert of California.

Our Management Support Services Segment

Through our MSS segment, we offer program and facilities management and maintenance, training, logistics, consulting, technical assistance and systems integration services, primarily for agencies of the U.S. government.

We provide a wide array of services in our MSS segment, both directly and through joint ventures or similar partner arrangements, including:

Installation, Operations and Maintenance. Projects include Department of Defense and Department of Energy installations where we provide comprehensive services for the operation and maintenance of complex government installations, including military bases, test ranges and equipment. We have undertaken assignments in this category in the Middle East and the United States. We also provide services for the operations and maintenance of the Department of Energy's Nevada Test Site.

Logistics and Field Services. Projects include logistics support services for a number of Department of Defense agencies and defense prime contractors focused on developing and managing integrated supply and distribution networks. We oversee warehousing, packaging, delivery and traffic management for the distribution of government equipment and materials.

Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-K

Table of Contents

Training. Projects include training applications in live, virtual and simulation training environments. We have conducted training at the U.S. Army's Center for Security Training in Maryland for law enforcement and military personnel. We have also supported the training of international police officers and peacekeepers for deployment in various locations around the world in the areas of maintaining electronics and communications equipment.

Systems Support. Projects cover a diverse set of operational and support systems for the maintenance, operation and modernization of Department of Defense and Department of Energy installations. Our services in this area range from information technology and communications to life cycle optimization and engineering, including environmental management services. Through our joint venture operations at the Nevada Test Site and the Combat Support Services operation in Kuwait, our teams are responsible for facility and infrastructure support for critical missions of the U.S. government in its nonproliferation efforts, emergency response readiness, and force support and sustainment. Enterprise network operations and information systems support, including remote location engineering and operation in classified environments, are also specialized services we provide.

Technical Personnel Placement. Projects include the placement of personnel in key functional areas of military and other government agencies, as these entities continue to outsource critical services to commercial entities. We provide systems, processes and personnel in support of the Department of Justice's management of forfeited assets recovered by law enforcement agencies. We also support the Department of State in its enforcement programs by recruiting, training and supporting police officers for international and homeland security missions.

Field Services. Projects include maintaining, modifying and overhauling ground vehicles, armored carriers and associated support equipment both within and outside of the United States under contracts with the Department of Defense. We also maintain and repair telecommunications systems for military and civilian entities.

Our Clients

Our clients consist primarily of national, state, regional and local governments, public and private institutions and major corporations. The following table sets forth our total revenue attributable to these categories of clients for each of the periods indicated:

	Year Ended September 30, (dollars in thousands)					
	2010		2009		2008	
U.S. Federal Government						
PTS	\$	549,391	8%	\$	572,212	9%
MSS		1,152,062	18		1,061,777	17
U.S. State and Local Governments		1,361,950	21		1,327,079	22
Non-U.S. Governments		1,690,164	26		1,388,575	23
					1,085,886	21
Subtotal Governments		4,753,567	73		4,349,643	71
Private Entities (worldwide)		1,792,224	27		1,769,822	29
					1,861,418	36
Total	\$	6,545,791	100%	\$	6,119,465	100%
					5,194,682	100%

Other than the U.S. federal government, no single client accounted for 10% or more of our revenue in any of the past five fiscal years. Approximately 26%, 26% and 23% of the Company's revenue was derived through direct contracts with agencies of the U.S. federal government in the years ended September 30, 2010, 2009 and 2008, respectively. One of these contracts accounted for approximately 9%, 10% and 10% of the Company's revenue in the years ended September 30, 2010, 2009 and 2008, respectively. The work attributed to the U.S. federal government includes our work for the Department of Defense, Department of Energy, Department of Justice and the Department of Homeland Security.

Table of Contents

Contracts

The price provisions of the contracts we undertake can be grouped into two broad categories: cost-reimbursable contracts and fixed-price contracts. The majority of our contracts fall under the category of cost-reimbursable contracts, which we believe are generally less subject to loss than fixed-price contracts. As detailed below, our fixed-price contracts relate primarily to design and construction management contracts where we do not self-perform or take the risk of construction.

Cost-Reimbursable Contracts

Cost-reimbursable contracts consist of two similar contract types, cost-plus and time and material.

Cost-Plus. We enter into two major types of cost-plus contracts:

Cost-Plus Fixed Fee. Under cost-plus fixed fee contracts, we charge clients for our costs, including both direct and indirect costs, plus a fixed negotiated fee. The total estimated cost plus the fixed negotiated fee represents the total contract value. We recognize revenue based on the actual labor and other direct costs incurred, plus the portion of the fixed fee earned to date.

Cost-Plus Fixed Rate. Under cost-plus fixed rate contracts, we charge clients for our direct and indirect costs based upon a negotiated rate. We recognize revenue based on the actual total costs expended and the applicable fixed rate.

Certain cost-plus contracts provide for award fees or a penalty based on performance criteria in lieu of a fixed fee or fixed rate. Other contracts include a base fee component plus a performance-based award fee. In addition, we may share award fees with subcontractors. We record accruals for fee-sharing as fees are earned. We generally recognize revenue to the extent of costs actually incurred plus a proportionate amount of the fee expected to be earned. We take the award fee or penalty on contracts into consideration when estimating revenue and profit rates, and record revenue related to the award fees when there is sufficient information to assess anticipated contract performance. On contracts that represent higher than normal risk or technical difficulty, we may defer all award fees until an award fee letter is received. Once an award fee letter is received, the estimated or accrued fees are adjusted to the actual award amount.

Certain cost-plus contracts provide for incentive fees based on performance against contractual milestones. The amount of the incentive fees varies, depending on whether we achieve above, at, or below target results. We originally recognize revenue on these contracts based upon expected results. These estimates are revised when necessary based upon additional information that becomes available as the contract progresses.

Time and Material. Time and material is common for smaller scale engineering and consulting services. Under these types of contracts, we negotiate hourly billing rates and charge our clients based upon actual hours expended on a project. Unlike cost-plus contracts, however, there is no predetermined fee. In addition, any direct project expenditures are passed through to the client and are reimbursed. These contracts may have a fixed-price element in the form of not-to-exceed or guaranteed maximum price provisions.

Edgar Filing: AECOM TECHNOLOGY CORP - Form 10-K

Table of Contents

For fiscal 2010, 2009 and 2008, cost-reimbursable contracts represented approximately 63% , 62%, and 63% respectively, of our total revenue, consisting of cost-plus contracts and time and material contracts as follows:

	Year Ended September 30,		
	2010	2009	2008
Cost-plus contracts	24%	27%	30%
Time and materials contracts	39	35	33
Total	63%	62%	63%

Fixed-Price Contracts

There are typically two types of fixed-price contracts. The first and more common type, lump-sum, involves performing all of the work under the contract for a specified lump-sum fee. Lump-sum contracts are typically subject to price adjustments if the scope of the project changes or unforeseen conditions arise. The second type, fixed-unit price, involves performing an estimated number of units of work at an agreed price per unit, with the total payment under the contract determined by the actual number of units delivered.

Many of our fixed-price contracts are negotiated and arise in the design of projects with a specified scope. Fixed-price contracts often arise in the areas of construction management and design-build services. Construction management services are typically in the form of general administrative oversight (in which we do not assume responsibility for construction means and methods and which is on a cost-reimbursable basis). Under our design-build projects, we are typically responsible for the design of a facility with the fixed contract price negotiated after we have had the opportunity to secure specific bids from various subcontractors and add a contingency fee.

We typically attempt to mitigate the risks of fixed-price design-build contracts by contracting to complete the projects based on our design as opposed to a third party's design, by not self-performing construction (except for limited environmental tasks), by not guaranteeing new or untested processes or technologies and by working only with experienced subcontractors with sufficient bonding capacity.

Some of our fixed-price contracts require us to provide performance bonds or parent company guarantees to assure our clients that their project will be completed in accordance with the terms of the contracts. In such cases, we typically require our primary subcontractors to provide similar bonds and guarantees and to be adequately insured, and we flow down the terms and conditions set forth in our agreement on to our subcontractors.

For fiscal 2010, 2009 and 2008, fixed-price contracts represented approximately 37%, 38% and 37%, respectively, of our total revenue. Less than 13%, 10% and 10% of our revenue in each of fiscal 2010, 2009 and 2008, respectively, was generated from contracts where we have exposure to construction cost overruns. There may be risks associated with completing these projects profitably if we are not able to perform our professional services for the amount of the fixed fee. However, we attempt to mitigate these risks as described above.

Joint Ventures

Some of our larger contracts may operate under joint ventures or other arrangements under which we team with other reputable companies, typically companies with which we have worked for many years. This is often done where the scale of the project dictates such an arrangement or when we want to strengthen either our market position or our technical skills.

Table of Contents**Backlog**

Backlog is expressed in terms of gross revenue and therefore may include significant estimated amounts of third party, or pass-through costs to subcontractors and other parties. Our total backlog is comprised of contracted backlog and awarded backlog. Our contracted backlog includes revenue we expect to record in the future from signed contracts, and in the case of a public client, where the project has been funded. Our awarded backlog includes revenue we expect to record in the future where we have been awarded the work, but the contractual agreement has not yet been signed. For non-government contracts, our backlog includes future revenue at contract rates, excluding contract renewals or extensions that are at the discretion of the client. For contracts with a not-to-exceed maximum amount, we include revenue from such contracts in backlog to the extent of the remaining estimated amount. We calculate backlog without regard to possible project reductions or expansions or potential cancellations until such changes or cancellations occur. No assurance can be given that we will ultimately realize our full backlog. Our backlog for the year ended September 30, 2010 increased \$5.2 billion, or 54.7%, to \$14.7 billion as compared to \$9.5 billion for the corresponding period last year. The increase in backlog for the year ended September 30, 2010 was primarily provided by companies acquired in the past twelve months.

The following summarizes contracted and awarded backlog, excluding backlog as of September 30, 2009 and 2008 related to businesses which we divested, as discussed in Note 7 to the Consolidated Financial Statements (in billions):

	September 30,		
	2010	2009	2008
Contracted backlog:			
PTS segment	\$ 6.1	\$ 4.9	\$ 4.2
MSS segment	0.7	0.5	0.6
 Total contracted backlog	 \$ 6.8	 \$ 5.4	 \$ 4.8
Awarded backlog:			
PTS segment	\$ 6.4	\$ 3.7	\$ 3.5
MSS segment	1.5	0.4	0.3
 Total awarded backlog	 \$ 7.9	 \$ 4.1	 \$ 3.8
Total backlog:			