OUR MISSION

Since 1956, ASPE serves the construction & engineering industries by providing education, training, fellowship and opportunities for professional estimating development.
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Hello Everyone,

I want to welcome everyone to a new and exciting year at our Chapter. Our elected Officers and Board members have been working hard in planning an interesting and prosperous new year. It would not be possible if it were not for the leadership and hard work of previous Officers and Board members. I wish to thank Past Presidents Mike Mills, Wil Beukman, Dan Schottlander, Ron Svarc and Paulette Rutlen, their Boards and teams for building the solid foundation we have to build upon. In fact, Mike Mills received the 2011 Chapter President of the year award at the ASPE National Convention last July. We intend to capitalize on the Chapter’s programs and events momentum they have created.

August is the month the Board of Directors of our Chapter meet to form committees, plan and calendar events and programs for the up and coming year. The new Officers and Board Members are listed below for your convenience. Every ASPE Chapter member is welcome to attend our Board Meetings. Members are encouraged to contact any of us at any time when they have any suggestions or questions or they can visit our Face book page. After all, ASPE’s exists to benefit its members.
President’s Message

So what is new at our chapter? To start we are a Nonprofit 501c6 corporation and have filed with the IRS for nonprofit status as ASPE National has required all Chapters to do. Our Chapter has joined the very few other Chapters that have obtained this status. We have very respectable membership retention in our Chapter and we have our first new member of the year, KC Maddox. He is featured in this Newsletter, so please give him a warm welcome when you meet him.

We are looking at an exciting year. We are planning timely and relative speakers for our Dinner Education Meetings, social events, Academy Day Seminar, job site walks, inter chapter sponsored Bid Day Simulation Seminar that will reach out to college students and our fourth Annual Golf Tournament.

Please join us in keeping abreast of our industry’s technical advancements, in promoting professional ethical estimating practices in our industry and meeting people in our industry that you may wish to work with in the future.

Gregory R. Clayton
MEETING INFORMATION

GREGORY MARTIN  Dinner meeting

TOPIC
“The Construction Estimate & Bid: Helpful or Hurtful in Litigation?”
PRESENTED BY GREGORY MARTIN

Date
Wednesday, Sept 14, 2011
Time
5:30 p.m.  Social Hour & Networking
6:30 p.m.  Program & Dinner
Location
Ayres Hotel 325 Bristol St. Costa Mesa, CA  92626
Cost  $40
(Includes Appetizer, Choice of entree, dessert, coffee/tea)
RSVP at www.aspechapter3.org

Talking points

- A Construction Estimate - a guarantee of the success of the Project.
- How does the world see your estimate? A Guarantee of Success.
- Your Estimate - A Double-Edged Sword. How it is perceived in the legal world.
Mr. Martin represents clients from contract preparation, review and negotiation through ultimate dispute resolution including litigation, arbitration and other alternative dispute resolution procedures. He also acts as external general counsel to certain clients addressing and providing advice on a wide range of issues particular to the construction industry.

Since the start of his career, Mr. Martin has actively participated in trials, arbitration and administrative hearings throughout Florida as well as in the federal system, other states and territories. Mr. Martin was admitted in 1990, Florida; U.S. District Court, Southern and Middle Districts of Florida; U.S. Court of Appeals, Ninth and Eleventh Circuits; U.S. Court of Federal Claims; and The Supreme Court of the United States AAA Commercial Panel of Neutrals.

Mr. Martin received his undergraduate degree at the University of Florida, Bachelor of Building Construction, in 1987 and graduated Law School in 1990 receiving his J.D. from the University of Florida.

He is Board Certified in Construction Law by The Florida Bar, a Certified Circuit Court Mediator, Florida - May 2006; and a Certified Civil Mediator, U.S. District Court, Middle District of Florida. Martin is also a LEED® Green Associate.

Mr. Martin has litigated numerous heavy civil construction cases throughout the US where the amounts in controversy were in the tens of millions of dollars.
The newly elected 2011-2012 Chapter officers really began their new positions in July but officially took their new positions August first when the Chapter’s fiscal year begins.

The August Board of Directors Meeting began like normal Board meetings do with going through the agenda items of approving the July Meeting Minutes, 501C6 Corporation nonprofit status report, Programs report, the Treasurer report, President report and Committee Chairs reports followed by new business where we made plans for the 2011-2012 year, prepared the budget and the Chapter Organizational Chart. Our September meeting we will be populating our calendar with events and projects along with many other items.

The Board is making considerable progress in establishing a non-profit entity status and towards building sustainable Chapter operations. For example the Board is considering outsourcing the yearend financial accounting and the website management in exchange for advertising in the Chapter newsletter and website. We expect that will attract other industry vendors to advertise with us as well. We are also considering giving the Blue Book representative of our area a free membership in exchange for advertising and support from the Blue Book. A nonprofit organization is expensive to establish and operate so by leveraging our efforts by teaming up with as many of these types of professional services
we will solve many of the on-going operational issues that come with being a nonprofit corporation.

The 2011-2012 calendar is being populated with events and projects as we plan our year. One of them involves a joint Chapter day event called The Bid Day Simulation Seminar. This event requires coordinating between two Chapters some distance apart San Diego and Orange County. It will be jointly sponsored by both chapters and contractors and subcontractors. The target audience and participants are construction management college and university students as well as others in our industry. We are also planning other academic and social events in addition to the normal monthly Educational Dinner Meetings, the Academy Day and the Golf Tournament events. The Board will be going out to the members for help in getting Chapter wide participation to bring these events together and expose the public to them this year. The Board is planning on several jobsite walks of unusual projects in our area that maybe followed with Monthly Educational Dinner Meetings that will expand on what was seen on the jobsite walk. The dates of these events will be published in advance on the calendar in the Newsletter and the details will be published as far in advance as possible.

Lastly, the Chapter is budgeting to increase the 2011-2012 scholarship fund four-fold from last years’ award by maintaining 90% membership renewal and adding at least 5 new members to our Chapter this year in addition to improving revenues from events, advertising and minimizing operating expenses.

Gregory R. Clayton
President/Secretary
Fo the past three decades, our firm has served hundreds of construction contractors. While every contractor wants to be more profitable, many contractors do not place as much emphasis as they should on strong communication between the estimators and the accounting department.

In some (construction companies / contractors), the two departments barely even speak! It seems that the accounting department creates reports that estimators simply do not understand and cannot rely upon or they simply speak two different languages.

Profitable contractors rely on the two departments to coordinate the following important criteria;

1. What is the Company’s burden rate?
2. How is the burden rate calculated?
3. What are the variable components of the company’s burden and what are the fixed components?

It would be impossible for an estimate to be accurate if the burden rate being used by the estimator is a “guess” or a “standard percentage”. Neither number can possibly allow for an accurate bid.

The Company’s burden rate should be calculated
including at a minimum the following costs;

1. Payroll tax rates change annually. The Company’s payroll department should be on top of this and able to easily communicate this component. This component is variable because not only do mandated rates change, but each company’s rates vary based on experience factors.

2. Benefit rates - this number is most certainly easy to determine if the Company is a union shop but even union shops have changing rates and union benefits can be reduced by other coverages such as pension plans and medical plans. Using full “fringe” rates may be incorrect and result in too high of a bid.

3. Overhead allocation - this is the trickiest part of a burden rate, specifically how much of the overhead is variable and how much is fixed. Many argue that only the variable overhead should be allocated. The key is to be CONSISTENT in how you allocate any burden factor. Both the accounting department and the estimating department MUST AGREE upon the number or percentage. Otherwise, the accounting departments “budget” will be radically different then the estimating department and management will not trust either one!

The most profitable contractors have the estimating department and accounting department interface on more than burden rates. Examples include the following

A. Post Mortems - after a job is complete it is critical, even if profitable, to determine how accurate the
estimate was compared to actual results. This allows for fine tuning and accountability.

B. Change order management- the estimating department is generally involved in PRICING change orders. Obtaining time and materials input for pricing change orders requires communication between the two departments. This process must be managed in a timely and efficient manner. Change Orders can make or break a job and a company’s survival often depends on the focus on change orders.

**CONCLUSION:**

If you are looking to be more profitable managing the communication process between your estimators and accountants can be the place to start!

**Glenn Gelman**  
Glenn M. Gelman and Associates  
Glenn can be reached at ggel@gmgcpa.com
Where Does Ethics Start?

Historically, no matter how far back you go, the construction industry has not been regarded as one of the more ethical professions. Contractors, owners, designers and architects have all been known to be involved in collusive, anti-competitive schemes and agreements at one time or another. There’s not really much more to be said about Ethics in the industry that hasn’t been said before.

We would all agree, if asked, that collusion and schemes to compromise one party or another is wrong and shouldn’t be done. However, we have all been confronted with it. If you haven’t, then you haven’t been in the industry long enough or not on the front lines of pressure to get work in the house. Have we all done the ‘right’ thing? Or have we given in to the pressure of competition to save our companies or our own jobs. Nobody likes to lose, whether it’s a bid, a job, a game, a friend or life itself.

It’s easy to compromise a little hedge here or there. If it makes the difference of being able to put food on the table at home or not, it becomes very difficult to walk away from a compromise or scheme that would save your butt from unemployment because of lack of jobs. How difficult would it be to turn away a subcontractor if he ‘desperately’ needs to be awarded a contract by giving you, the estimator/project manager, a healthy stipend in order to list him on an award list of subs to be used for a project? What if that subcontractor was a ‘friend’ of 13 years, and he also had already given you and your wife a free trip to Hawaii for a honeymoon before your employment with this general contractor? This was my first confrontation with ‘Bid Pleading’.

‘Bid Pleading’ is the practice whereby the subcontractor attempts to win the contract by inquiring into what price is needed to be awarded the contract. This
is one of many different forms of Bid Shopping. There is also; Bid Peddling, Bid Chiseling, Bid Chopping, Bid Discounting, and Bid Beating. These will be defined in latter text. Can we stop getting these temptations from entering our lives? No, we can’t. What is the right thing to do? How do you do it without burning bridges?

After you pass away, the only thing left behind will be your reputation. Take the high road. I had to tell all of my friends and associates that I really cared about our relationship and did not want them putting me in a bad position of compromise. I asked them BEFORE the fact, not to offer me anything if ever the situation presented itself. It must start in your own heart, with you. It must become your make-up. It will become your reputation. You know the saying about how a little white lie becomes bigger and bigger until it consumes you and then you’re ruined. It definitely applies here. It’s hard, but that’s what makes ASPE members the highest and most respected professionals in the industry. We care enough about the industry and what is right to be ethical. Deep down, you know what is proper and ethical. If you’re not sure, check with the one you respect most, then your gut. If you give in, you’re a cheater and someone knows and what’s bad is they’ll tell. One note that should say it for you is the letters after your name, CPE. While they stand for Certified Professional Estimator, they may also stand for ‘Consistent Practitioner of Ethics’.

Ron Svarc, LCPE
Ron is currently a board member and can be reached at ron.svarc@hmarchitects.com
The annual ASPE #3 OC Chapter scholarship golf event was held on August 10th at Aliso Creek Country Club. The event raised nearly $3,000 for the chapter’s scholarship funds distribution. Sixty golfers representing several member firms and guests were in attendance and enjoyed a great day of golf, box lunches on the cart, a goodie bag with golf cap, balls, raffle and drink tickets; a fabulous BBQ buffet and awards ceremony cultivating in the raffle give-away of fifteen awesome gifts. Tom Smithson was a double winner as was Behzad Basiri of KTI, Inc.

The winning team with a score of 15-under was the foursome from Bali Construction – Grant Wood and Ted Polich – and their guests from Turner Construction – Scott Reith and Richard Salguero. Greg Perrine of The Moote Group won the longest drive and Steve Dunn won the closest to the pin.

I would like to thank my lovely wife Jeanne and Erica Passavanti from The Moote Group for their assistance in stuffing the goodie bags, registering the players, selling the mulligan packages and “pushing” the raffle tickets. I would also like to thank Tracy Moran of United Paving for sponsoring the hole-in-one hole and providing drinks, pens, hats and shirts as the golfers passed by her tent at #7. A big THANK-YOU to O’Connor Construction Management and Clark Construction for sponsoring the lunch and dinner for everyone. And to Sukut Construction for sponsoring the cocktail hour.
Additional thanks to The Moote Group, Miller Environmental, Lubrizol, RCR Plumbing, Boudreau Pipeline and South County Lexus for their generous sponsorships. More thanks to Greg Clayton, our chapter president, for organizing the set-up and taking photo’s throughout the day. Finally, thank you Anita Beukmann for getting us into a beautiful private country club.

I look forward to seeing everyone next year. Thanks!
Our dinner meeting guest speaker for June was Mr. Corey Sanders. Mr. Sanders is Chair of the Internal Beck Technology Users Group where he is an internal champion for using BIM in preconstruction to provide value to clients at all phases of design. Mr. Sanders has estimated tenant improvement, renovation, and new construction ranging in value from one hundred thousand to over one hundred million. He has also worked all delivery methods including CM at risk, design build and integrated project delivery. Mr. Sanders touched on several relevant topics including:

- How BIM software saves estimating time and resources
- Identifying scope gaps and assumption in conceptual estimates
- Utilizing 3D to communicate to clients
- How BIM and high level information models add more accuracy to conceptual estimates

Mr. Sanders gave a very interesting and informative presentation that is relevant to all in our industry. We look forward to having Mr. Sanders back later in the year to follow up on the ever changing world of technology.
The ASPE National Convention was held the 13th through the 16th of July. Estimating Academy Tracks were conducted while the National Board of Trustees and Standards Committee met the first day. The second day featured Chapter Workshops, Professional Seminars, GEK Exam, and Estimating Academy while the Certification Committee met. The evening was wrapped up at the Wild Horse Saloon for those living on the wild side. Friday morning kicked off the Certification and Education Committee meetings, the DST Exam and the Chapter Operation Workshop, which I attended. The afternoon featured the Committee Training/Workshop followed with a cocktail hour then the Awards Banquet. On the last day the Regional Caucus met and the National Council Business Session was held. Afterwards was the Presidents Party.

I was the delegate representing our Chapter at the convention. Also in attendance was Ron Svarc serving on the National Certification Committee and Paulette Rutlen, Past National President serving as the Chair of the National Scholarship Committee. Mike Mills was awarded the 2011 Chapter President of the Year award and our Chapter received the Outstanding Chapter Award. Our chapter was also recognized for the Quality of the articles featured in last year’s Newsletters.

There were several reoccurring themes throughout during the Convention. The most prominent theme was membership retention and new member recruiting. Many Chapters have lost a significant number of members due to the poor economic conditions of our industry and relocations. The two other significant themes were Chapters obtaining their corporate nonprofit status and ethical bidding practices and ethical business practices in the construction industry.

The value in attending the convention was the number of new personal relationships, all whom committed their support for the development and growth of our programs and our Chapter as a whole. The experience was much more fulfilling that I had expected and I encourage everyone to attend next year’s convention in Reno Nevada July 11-14, 2012. Reno is relatively close and an exciting place to visit as well. Let’s show everyone at next year’s convention how to really have fun while getting things done.
Having grown up around construction, my father was an architect and I had three uncles who were contractors, I guess it was in the cards for me to follow that path. I started as a helper with an electrical contractor immediately upon graduating from high school in 1981. I found it to be interesting and I clicked with it pretty well. I worked for that contractor for eleven years, advancing through the ranks of foreman, superintendent and eventually V.P. of Operations. I had received my contractors license when I was twenty four with no real desire to leave and start my own firm, but had it in my pocket just in case. That opportunity presented itself in 1992 when the contractor decided to close the doors. I was able to get a start in a down economy providing the electrical installation to the refrigerated sections of Costco stores that were expanding throughout California. Maddox Electric, Inc. eventually began to grow and develop a strong reputation for a small electrical contractor. We specialized in high-end retail, restaurants, schools and eventually found a solid niche in design build projects. Personally, I really enjoyed being involved from the beginning in the preliminary design and budget phase of new projects.

I became a member of Associated Builders and Contractors early on and served on the Southern California chapter board for three years and one of those years as the Chairman in 2004. Having never attended college I felt the need to further my business education and attended the Executive Management program at UCLA Anderson.
School of Management in 2004. This was a great experience for me personally and professionally and created a commitment in me to continue to learn and grow on a daily basis.

During the economic downturn in late 2008, we became the collateral damage of a few of our clients’ financial difficulties and were forced to close our doors in November of that year. Unfortunately we weren’t the only ones feeling the impact of the downturn and finding a new position during this time proved very difficult, so I decided to start my own consulting firm, The Denovo Firm, providing services to small and medium sized electrical contractors. As it turns out, estimating is one of the most requested services I provide. A number of contractors have downsized, eliminating their in house estimating departments and have turned to outsourcing. I am able to provide that service along with a mindset that matches the firm’s owner. I understand not just as an estimator, but as a former contractor what they are trying to achieve and that has proven to be mutually beneficial in developing a working relationship. I am looking forward to increasing my client base and growing my firm. Hopefully the economy will improve, especially in the construction industry, and give us all the opportunity to do more of what we do best.

KC Maddox
Advertising Opportunities

For more details if you would like to advertise with us, contact ChiaYen Yuan at chiayen.yuan@fgould.com

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COMPANY MEMBERS

Our chapter Facebook account is up & running—ASPE Chapter 3, Orange County—we have added a few friends from last month and we need more! If you have an account, look us up, so you can follow our status for upcoming events!

Canon #1
Professional Estimators shall perform services in areas of their discipline and competence.

Canon #2
Professional Estimators shall continue to expand their professional capabilities through continuing education programs to better enable them to better serve their clients, employers and the industry.

Canon #3
Professional Estimators shall conduct themselves in a manner, which will promote cooperation and good relations among members of our profession and those directly related to our profession.

Canon #4
Professional Estimators shall safeguard and keep in confidence all knowledge of the business affairs and technical procedures of an employer of client.

Canon #5
Professional Estimators shall conduct themselves with integrity at all times and not knowingly or willingly enter into agreements that violate the laws of the United States of America or of the states in which they practice.

Canon #6
Professional Estimators shall utilize their education, years of experience and acquired skills in the preparation of each estimate or assignment with full commitment to make each estimate or assignment as detailed and accurate as their talents and abilities allow.

Canon #7
Professional Estimators shall not engage in the practices of “bid peddling” as defined by this code. This is a breach of moral and ethical standards, and a member of this society shall not enter into this practice.

Canon #8
Professional Estimators and those in training to be estimators shall not enter into any agreement that may considered acts of collusion or conspiracy (bid rigging) with the implied or expressed purpose of defrauding clients. Acts of this type are in direct violation of the Code of Ethics of the American Society of Professional Estimator.

Canon #9
Professional Estimators and those in training to be estimators shall not participate in acts, such as the giving or receiving of gifts, that are intended to be or may be construed as being unlawful acts of bribery.
We Need Volunteers!!

We need your help! Anyone who is interested in serving on a committee for the OC chapter, please contact Greg Clayton at gclayton@4cei.com for more information. This is a great way to give back to ASPE both personally and professionally. We encourage you to attend a board meeting to see what it’s all about. We meet every other month in a physical location and all ASPE members are welcome to attend.

Welcome

We look forward to seeing you at this month’s dinner meeting.

Twitter Account

by Paulette Rutlen

Do you Tweet? With the advent of all of the social networking going on I figured we should be keeping up with the technology. For those of you not in the know, Twitter is a website that allows postings, called tweets, of no more than 144 keystrokes (yes, spaces count). With Twitter you can find individuals such as ASPE’s national Executive Director (ASPENatExecDir), other chapters (ASPE12Reno or ASPE51SLCUtah), construction related organizations such as NAWIC, MC2, or McGraw Hill.

I intend on finding links to individuals and organizations that may be of interest to our membership. If you find an organization that you think would be of interest to our chapter membership let me know. Just post a tweet to ASPE3OrangeCty and I’ll be sure to link us to the account.

Do you have insights to pass on to our membership regarding the construction industry in Orange County? With a Twitter account you can pass them along quickly. After all, how long can it take to type 144 characters? See a website or blog you think may be of interest, post the link with one tweet and the whole chapter can see it too.

Try it out. Even if you never post anything, you can follow the postings of whoever you may find interesting. Hopefully, one of those will be ASPE3OrangeCty.

Thank you for reading ASPE OC Chapter3.
If you would like to advertise with us, contact ChiaYen Yuan at chiayan.yuan@fgould.com