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

The educational meeting speaker for February was scheduled to be McGraw-Hill’s economic expert Cliff Brewis who was to brief us on the national and local construction economic outlook. He showed up at the wrong venue and was delayed to the extent he could not make his presentation. If anyone is interested in his power point presentation, please contact me and I will be happy to send it to you electronically. Based upon my understanding of our economy, the economy’s fundamentals have cycled positive but the burden of global uncertainty, the Federal, State and local government debt and reduced demand and lending are making the economy’s recovery very slow.

Banks in traditionally normal economic conditions lends three dollars for every dollar they have. Currently banks are lending about $0.70 for every dollar they have and storing cash in the markets. Therefore, I believe the lending problem stems from all the money that has been and being printed by the Federal Reserve if released as in normal times would spark hyper inflation like we have never seen before. To avoid that scenario, the excess printed money needs to be released very slowly, placing an additional burden on the economy. Construction requires significant investments that are heavily leveraged through borrowing significantly affecting the construction industry’s recovery and painfully slow. In spite of Cliff not making it to the meeting, we had a
great time getting to know each other. Check out the Meeting recap article by Steve Murow for details of the meeting in this Newsletter.

My primary goal this year is to make the Chapter a viable legal entity in every dimension. We are clearly on that track now. What viable means to me, is having smooth running operations, having clear position responsibilities, objectives and systems in place to achieve Chapter’s goals. The means to our goals of educating members, local college students and the public about estimating and our scholarship goals are our events. We have some great programs and events in the work. So stay tuned because you will not want to miss out on any of them. Your participation by joining one of our event committees will not only be rewarding for you but will significantly contribute to the success of the Chapter’s efforts in achieving these goals.

Every ASPE Chapter member is encouraged to attend at least one of our Board Meetings and participate in that endeavor if they are moved to serve in one of the officer or director positions or on a committee. Contact any of us at any time if you have any suggestions or questions or to visit one of our Board Meetings. You may also communicate to the Board members through the Chapter Face book page.

Gregory R. Clayton
**Meeting Information**

**GREGORY MARTIN**  
**Dinner Meeting**

**TOPIC**
The Top 10 Mistakes in Estimating Which Assure Protracted Litigation

**PRESENTED BY GREGORY MARTIN**

---

**Date**
Wednesday, Mar 14, 2012

**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 Salmon filet, Hoisin BBQ Chicken or Beef Stroganoff, dessert, coffee/tea)

**RSVP at www.aspechapter3.org**

---

**Presentation Outline**

- What notes?
- You have to look at the bottom number, not each individual item.
- You mean they actually answer bidder’s questions.
- What Addendum?
- I saw the conflict, but assumed that they would fix it during construction.
- We always just plug a number in and bid it out later.
- Access?  Well I assumed that the Owner would make sure we had it.
- Visit the site?  Do you realize how busy I am?
- Schedule of Work?  I just assumed that we could get everything done in the time provided.
- How does the estimate compare to the budget?  How should I know?
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 admitted to California Bar in 2011, 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.
As in speaking with an estimator/project manager the other day I was not shocked to hear that managers still want to wait as long as possible in breaking the bad news to their boss – “the job will lose money.” Why? Twofold; the unrealistic thinking that you may uncover a hidden treasure as the job winds down and a windfall of cost savings will overturn the heavy loses already incurred on the job; or, it’s December and year-end bonuses are being calculated on job profits (so wait until next year – you’ll have a whole year to recoup the true losses). However, the reporting issues play directly into a Contractor’s financial status.

A major concern is the WIP – the “Work in Progress” report that accounts for under-billings and overbillings on ongoing projects. The WIP is severely impacted by unrealistic job cost reporting and exaggeration of project profits. Unfortunately, or fortunately for some, the WIP can be manipulated to reflect huge under-billings which serve as “assets” on the books and increase the company’s value therefore affording the company to either maintain current bonding limits or increase such limits for upcoming projects to bid. (Remember: This is the Ethics article of the Newsletter).

Being involved with the contracting industry for over 33 years I was exposed to these ethical issues on numerous occasions. As a company owner, I paid...
very close attention to the job costing of projects. If I waited for the monthly computer generated costs based on payroll expense, equipment usage, material purchase and subcontractor invoices (assuming all info/data entered properly and on time) – it was too late – already cost expended and no time to correct, change the project procedure, garner that contract change order and/or refocus the crew’s attention. A small grading project (dirt movement) can include a crew at $30,000 per day. Waiting a month to review job cost doesn’t allow much time to assess the crew, change directions or fix a problem (used to be called an “opportunity”).

Our routine was to job cost daily, review weekly with the estimator/project manager and check in monthly with “actuals” from accounting. If we were going to take a “hit” on an item of work we wanted the info “yesterday.” Why wait? Let’s fix the problem, put our heads together and game plan a fix at the best cost as soon as possible. There is still time to turn it around. As the Owner, I wanted to know the “bad news” as soon as possible so we could brainstorm and figure out how to minimize any losses and grow profits as soon as possible.

As pertains to the WIP; the WIP is based on projected project revenue and projected final cost at completion.

**Example of WIP**

<table>
<thead>
<tr>
<th>Project Name:</th>
<th>Revenue</th>
<th>Final Cost</th>
<th>Projected Profit</th>
<th>Costs to Date</th>
<th>% Complete</th>
<th>Earned Rev</th>
<th>Billing-to-Date</th>
<th>Under-billed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job#542 Caltrans</td>
<td>$2,675,000</td>
<td>$2,048,000</td>
<td>$327,000</td>
<td>$1,125,000</td>
<td>55%</td>
<td>$1,304,850</td>
<td>$1,112,000</td>
<td>$192,850</td>
</tr>
</tbody>
</table>

Revenue and Final Cost are originally based on bid and contract. Profit is a straight subtraction. Cost to date is actual incurred costs from accounting department and ties into the books. Percent complete is based on costs to date divided by final cost. Earned revenue is costs to date plus (% complete x projected profit). Billing-to-date is actuals based on invoices. The under-billed amount is a comparison of “earned
revenue” to billing-to-date. The under-billed amount becomes an asset in your books (cash forthcoming). Bonding limits are tied directly to cash as much as ten times cash or nearly $2,000,000 in bonding capacity in this example.

Here is the ethics evaluation. The estimator/project manager knowingly increases the projected profit by showing the final costs as $1,820,000. This increases the projected profit by $528,000 to $855,000. The percent complete jumps to 62% and earned revenue increases to ($1,125,000 + 62% of $855,000) or $1,655,100. As the billings to date remain the same, the under-billings increase to $543,100. Bonding can now jump an additional $5,000,000. Bonuses are paid! It’s time to party! (As the company owner I would be very disappointed that we didn’t bill a half million dollars; however, put two and two together… and you realize if you could bill that ½ million you would have and something doesn’t smell right….)

Four months later as the job completes, final payables are in, payroll is entered – no more contract billing…..the estimator/project manager gave his notice (and spent his bonus)…. The “stuff” hits the fan!

If your project is taking a hit, get the word out as soon as possible. Garner the experience of your fellow estimators and project managers – work it out ASAP. There may be a potential for a change order, there may be time to change up the process, there may be time to reassess and refine the deliverable, there may be time to re-measure and re-quantify the work; and, make sure to check the job-cost records and verify the costs were coded and entered properly.

Honesty is still the best policy! (Refer to Canon #6).

Steven Murow, VP
The Moote Group
By Gregory R. Clayton

**2011 - 2012 Board of Directors**

**OFFICERS**

**President**  
*Greg Clayton, PE, CPE, LEED® AP*  
Contracting Engineers Inc, 949.548.2010  
gclayton@4cei.com

**Past President**  
*Mike Mills, CPE*  
Kaiser Permanente, 714.970.4544  
Michael.G.Mills@kp.org

**1st Vice President**  
*Tom Smithson*  
951.371.5000  
tedwardsmithson@gmail.com

**2nd Vice President**  
*Steve Murow*  
The Moote Group, 714.751.5557x204  
smurow@moote.com

**3rd Vice President**  
*TBD*

**Secretary**  
*Greg Clayton, PE, CPE, LEED® AP*

**Treasurer**  
*ChiaYen Yuan, LEED® GA*  
Faithful + Gould, 562.314.4216  
chiayen.yuan@fgould.com

**Directors**  
*Ron Svarc*  
*Wil Beukman*  
*Paulette Rutlen*  
*Dan Schottlander*

---

**ESTIMATING VS. OPTIONEERING**

EXERPTS FROM AN ARTICLE BY GARY MYERS SENIOR ESTIMATOR AND PLANNER WITH CLARK CONSTRUCTION CO. LANSING MICH.

“Optioneering”- a neologism that suggests both options and engineering refers to making clear, structural decisions that entail significant consequences. Optioneering uses a selection and ranking process based on the relative advantages and cost of each project element in accomplishing a client’s goals.

A Developer’s Dilemma – In early 2010, I began work on a proposed $100 million site development project, creating a conceptual master plan with detailed cost estimates.

The last major parcel in a prime location poised for future growth, was appealing on paper. In reality, the terrain posed challenges. The 50 acre infill lot had dramatic 30 ft elevation changes across the site.

According to the napkin sketch, more than a dozen buildings –retail, office, residential, parking structures- would be housed on the site. Add an internal network of roadways and pathways, and that it was a mini-city in the making made it important to confirm the site’s viability before going forward. So, I went to my macro BIM software to start Optioneering.

10
First, I imported the proposed site’s topography from Google Earth into the tool, and then verified the elevations with the U.S. Geological Survey map. Next, I set the elevations and modeled all the structures for the virtual site plan. The software computed the grade and cut-and-fill costs, illustrating the cut-and-fill areas visually. Nearly 600,000 cu yd dirt had to be redistributed to balance the site.

The topography created two major challenges: determining the best fit for the dozen or so buildings and marrying the site’s internal road network to the grade of the existing roadway around the site. It was tricky to fit the buildings into the site along with the roads, retaining walls, plaza areas and parking structures. I had to move things around a lot. From the developer’s perspective seeing 3D images of the project on the site makes the development team more confident in the estimate.

After seeing the impact of the site on the proposed project, the developers put the $100 million venture on hold. Much faster than traditional methods, the macro BIM model gave them the facts to make a fiscally smart decision. Instead of languishing in limbo or spending huge amounts re-engineering the site, they can get started on their next signature project.

Gregory R. Clayton, CPE
The February dinner meeting turned out to be one of the more exciting and well attended meetings in a long time. The speaker was at the Ayres Hotel in Orange while the ASPE-OC#3 members and friends/guests were at the Costa Mesa location. We learned a few things: 1) Exchange cell phone numbers with speakers, 2) Communications is a serious concept; and, 3) Have Plan B ready to go.

Thanks to Greg Martin, a friend of ASPE from Florida, his suggestion to have each guest introduce themselves, state where they work and what their capacity is at the company went over huge! During the introductions, several guests discussed their services to the construction industry and how member firms can take advantage of their wares. This included representatives from The Blue Book and Richman Knoll Associates. In addition, during the introductions, Joe Esparza, the Chief Estimator from Kaiser Permanente, announced that his firm was looking to hire five estimators immediately. This was welcomed news for everyone.

Once again, the food was outstanding!

Greg Clayton made his usual announcements and I announced that the Golf Event for 2012 will once again be at the Aliso Viejo Golf Club on June 25, 2012.

The raffle winners were awarded a bottle of wine from Laguna Canyon Winery.

For those in attendance, a copy of the presentation is available by request. Please contact Greg Clayton at gclayton@4cei.com to attain your McGraw-Hill Construction Outlook 2012 Power Point copy. See you in March.

Steven Murow, VP
The Moote Group
The January meeting began like normal Board meetings do with going through the agenda items of approving the previous Board 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.

We can expect IRS to contact us in March 2012 on our not for profit status. You may recall the merchant credit card service for the Chapter through our bank F&M Bank is predicated on the IRS approval of our not for profit status. The Blue Book representatives have signed up to attend our February Educational Meeting to learn what we are all about. I will be following up to see if we can join forces in supporting each others efforts and events. If so that will be the beginning of the broadening of the Chapter’s network.

The Board discussed the ideas of Educational Dinner Meeting topics and speakers for the rest of the year.
Steve Murow of the Programs Committee is meeting with potential speakers on for a 20 year residential community build out project, a large commercial development project on the Hollywood Park site that are coming to our area and a person that will speak to new GPS infrastructure project management technologies being used on a local project. Our March Speaker is Greg Martin who is returning from Florida to speak to us about “The Top 10 Mistakes in Estimating Which Assure Protracted Litigation”. Now that is something every estimator needs to know about for sure these days. Steve Murow, the Chair of the Golf Tournament Committee is in negotiations with a classic private golf course this month to hold our golf tournament. Once the contract is signed the committee will begin preparing for the event tentatively scheduled for late June 2012. The planning of the 11th hour bid day simulation event as our Academy event along with two other Chapters has not progressed since the last Board meeting. The lead chapter has not returned my calls nor called for a meeting to get started on that endeavor. Chapter wide participation is imperative in bringing these events together and getting events out to the public this year.

Lastly, all of the efforts of the Chapter are to increase the 2011-2012 scholarship funds, educate and serve its members.

Gregory R. Clayton, CPE
President/Secretary
Mr. Porterfield has 24 years of successful experience in the General Engineering Construction Industry. Throughout that time his responsibilities have included both private and public works project bidding, project management and project contract administration. He served as Vice President and Shareholder with a Southern California based general engineering contracting firm. He currently assists developers, builders, government agencies, and local agencies with developing infrastructure cost pro formas, developing budgets & schedules for residential tracts and commercial development, providing project management, and preparation of air quality analysis in support of developing environmental impact reports (EIR).

Mr. Porterfield began his career in January of 1987 with Clayton Engineering Inc, a general engineering contractor in Southern California as a quantity takeoff estimator and advanced to a project manager/estimator responsible for an array of multi-million dollar projects. Projects included private and public works; commercial land infrastructure development, landfill mass grading, drainage and ground water / natural gas processing, major road infrastructure improvements and turnkey residential tract housing development. Responsibilities included the bidding of such projects and once awarded Mr. Porterfield administered all sub-contracts, purchase orders, managing the contract, managed change orders, created and maintained project schedules, prepared monthly invoicing, and worked directly with the project superintendent managing the project.

In September of 2000, Mr. Porterfield was instrumental in the formation of Contracting Engineers, Inc., a general engineering construction firm providing services to the Southern California community. As Vice President and Shareholder, Mr. Porterfield performed private and public
works bidding and project management, authored contracts and was responsible for contract change order negotiations on multiple diversified engineering projects such as; The Painted Turtle, a campground for children with serious illnesses in the San Bernardino Mountains, which included all sewer, storm drain and water infrastructure improvements; reconstruction of Temple Bat Yahm outdoor campus in Newport Beach including grading, underground improvements, concrete and asphalt paving; and, Los Angeles County Sanitation District Materials Resource Facility (county recycling facility) in Whittier constructing all sewer, reclaimed water, domestic water, storm drain systems and pump station. His role also included supporting the financial/accounting/bonding processes and marketing of the firms services.

In August of 2005, Mr. Porterfield joined The Moote Group where his contracting experience complements the bid administration, construction management and cost estimating divisions. He supports the bid administration division with constructability and bid package review; preparing grading analysis and logistics/phasing plans, creates pro formas associated with mass grading and infrastructure development; and, provides construction scheduling and project management services.

Mr. Porterfield has provided assistance to developers with the preparation of the environmental impact report necessary for development. He assembles the required air quality data to generate an air quality study including; construction/equipment crew types, equipment weights & horsepower, equipment on & off site trips, vehicle miles traveled (VMT), activity durations, estimated activity production rates, and alternative grading/construction methods.

A brief description of selected projects Mr. Porterfield has been directly involved in as the Senior Project Manager for The Moote Group includes:
**Member Spotlight**

SCOTT PORTERFIELD
Meet Your New Member

- **Perdue & Ruth Real Estate Appraisal (County of Orange):**
  Provided land development costs for multiple proposed master plan communities before and after land donations impacting the planned communities land value for The Internal Revenue Services donation analysis. Projects include estimating for over 8,700 acres, 275,000,000 cubic yards and infrastructure for master developer construction improvements.

- **Bluebird Canyon Emergency Landslide Repair (City of Laguna Beach):**
  A catastrophic slope failure occurred destroying 500 feet of Flamingo Road, destroying several major utility facilities and 20 homes. The City contacted The Moote Group to provide project management services for repair. Responsibilities included working with the Federal Emergency Management Agency (FEMA) and The City of Laguna Beach providing construction management, scheduling, cost analysis, value engineering and public relations assistance and safety management. Reconstruction costs total at $35,000,000.

- **NBC Universal Backlot Site Development (Thomas Properties Group):**
  The “Vision Plan” will revitalize production and studio facilities, generate new office space, refresh theme park operations and create a new (“green”) residential neighborhood. The Moote Group was contracted to provide various cost estimates, constructability analysis and phasing/sequencing/logistics. Responsibilities include providing assistance generating data for the Environmental Impact Report (EIR), mass grading analysis, conceptual design of utilities, value engineering and producing project pro formas; including developing conceptual plans, scope of work, quantity surveys and cost estimates.

- **Tejon Mountain Village (Tejon Ranch Company):**
  The Tejon Mountain village plan includes a 23,000-acre nature reserve and 5,000-acre mountain retreat development. Of the 5,000 acres approximately 2,800 acres will be built on. The development will consist of vineyards, golf courses, roads and amenities. The Moote Group joined the Tejon Ranch Team to provide mass grading analysis, pro forma cost estimate associated with grading, wet / dry utility infrastructure, road systems, water treatment facilities and community amenities. The Moote Group was also contracted to generate the air quality analysis to assist with the Environmental Impact Report.
Thoughts or Suggestions?

We are looking for your ideas and input regarding our newsletter and dinner programs. Do you have an idea for an upcoming dinner meeting? Would you like to be a presenter at one of our dinner meetings? Is there a topic of discussion that we should write an article about? Would you like to be a contributor to our newsletter? Please contact ChiaYen Yuan at ChiaYen.Yuan@fgould.com.

Membership

Applications for membership can be downloaded from the national website- www.aspenational.org, or on our local website- www.aspechapter3.org. For more information, contact Greg Clayton at gclayton@4cei.com.

With this diverse experience and knowledge, Mr. Porterfield is able to enhance The Moote Group’s myriad of services provided to the land development industry.

Mr. Porterfield is an active member with the US Green Building Council-Orange County Chapter (USGBC-OC), a member of the Association for the Advancement of Cost Engineers (AACE), a member of the American Society of Professional Estimators (ASPE), The Building Industry Association (BIA) and a club member of the YMCA Triathlon Club.

Credentials:

Leadership in Energy and Environmental Design – Green Associate, LEED GA.

Qualified SWPPP Practitioner (QSP)

Certified Erosion Sediment and Storm Water Inspector (CESSWI)

Proficient with U.S COST Success Estimator, a Navy/USMC estimating and cost management software system.
Advertising Opportunities

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

<table>
<thead>
<tr>
<th></th>
<th>Per Issue</th>
<th>5 issues</th>
<th>10 issues (Best Value!)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Card</td>
<td>$25.00</td>
<td>$100.00</td>
<td>$150.00</td>
</tr>
<tr>
<td>¼ Page Ad</td>
<td>$50.00</td>
<td>$200.00</td>
<td>$350.00</td>
</tr>
<tr>
<td>½ Page Ad</td>
<td>$100.00</td>
<td>$400.00</td>
<td>$750.00</td>
</tr>
<tr>
<td>Full Page Ad</td>
<td>$200.00</td>
<td>$750.00</td>
<td>$1250.00</td>
</tr>
</tbody>
</table>

COMPANY MEMBER REPRESENTATIVES

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 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.

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

Serving construction estimating professionals by promoting ethical behavior, professional development, continuing education, standardization, certification and fellowship.

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.
Calling for Presenters!

Interested in giving a presentation at our chapter dinner meetings?

Interested in getting your company name out to members?

Come educate and share with our members!

Contact Tom Smithson at tedwardsmithson@gmail.com for more info!

If you would like to advertise with us, contact ChiaYen Yuan at chiayen.yuan@fgould.com