AGC of California Announces New Leadership for 2011
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The U.S. Environmental Protection Agency (EPA) has awarded CalPortland Company the National ENERGY STAR® Award for Sustained Excellence in recognition of its continued leadership in protecting our environment through energy efficiency. CalPortland’s accomplishment over six consecutive years is a feat that has never been matched by any other U.S. building materials company.
Let me start by saying that it is an honor to serve as President of the AGC of California, and I thank all of the AGC members and staff for the support they have given throughout my tenure in the leadership ranks. A deep thanks to Bob Christenson for his friendship and guidance as President in 2010, and the same thanks goes out to all the officers with whom I have served, past, present and future. Please help me in welcoming some old faces and one or two new ones to your 2011 officer corps, including Curt Weltz, Flatiron West, Inc., as Treasurer; Randy Douglas, Tierra Contracting, Inc. as Vice President; John Nunan, Unger Construction Company, as Senior Vice President; and Tom Holsman, CEO of AGC of California.

As initiated in President Mark Thurman’s term, we continue to determine the direction in which AGC will focus its daily efforts through our strategic planning and goal setting process, based on a five-year look ahead. My focus for the next year will be to assist and support the staff, executive committee and members in attaining those goals that have been mapped out. Most of the same challenges still remain from past years – California’s budget, regulatory issues and jobless rate, to name a few – but working together as an association focusing on our strategic plan, the AGC of CA and its members can and will survive while remaining strong in this roller coaster ride we call the construction industry.

Some of AGC’s key strategic goals include:

- **Membership**: As an association, foster a membership base that represents the diverse contractors in the state with the majority of the work in each geographical area.
- **Marketing**: Work to be seen as the “Voice of the Construction Industry” by all stakeholders.
- **Organizational Effectiveness**: Maintain a strong organization with adequately trained field representation engaging membership and staff to ensure successful service delivery.
- **Services**: Provide value-added services that benefit our members and the industry.

In addition to supporting those strategic plan goals, it is also vitally important for our membership to support our PAC as well as the phenomenal work that our legislative program does. The payoff from these efforts has become clear in recent years, as AGC has been successful in slowing or halting many of the ridiculous or over-reaching regulatory laws that were balloted. Sometimes all it takes is getting face to face with our legislators, but this requires an investment of both time and money. If we as an association are to remain the “Voice of the Construction Industry,” we must continue to support these efforts to the best of our ability.

Other than the obvious budgetary and economic problems that we continue to face, I believe workforce education will also be a major challenge in the near future. The AGC and its members need to continue positioning ourselves to meet this challenge by developing and training new construction workers. As it is, there are still large sums of dollars in California infrastructure bonds and voter approved transportation funding that, if not continuously plundered by special interest groups, will be out on the streets. Because of this we may soon feel an immense pressure in the search for new workers in the building trades, and we need to ensure that we are doing our part to help meet that future workforce need.

Again, thank you for this opportunity to serve as your president in 2011. I look forward to working with all of the AGC membership in the year ahead to make this association even stronger and better than ever.

Gerry DiIoli
A Look at the New Laws for 2011

By Dave Ackerman

Over a thousand new laws take effect this month, but the following have a particular impact on the construction industry.

**Public Works and Bidding Issues:**

Santa Clara Valley Transportation Authority - AB 1784(Fong): Authorizes the Santa Clara Valley Transportation Authority (VTA) to enter into agreements with Santa Clara County and the cities in the county to improve their streets and roads. This does not apply to improvements to state-owned and operated highways in the county unless authorized elsewhere in law.

Public contracts: contract document distribution - AB 2036(Berryhill, Bill): Requires state departments and local agencies to provide at no charge an electronic copy of the project’s contract documents to a contractor plan room service upon request from the contractor plan room service.

Public contracts: public works: competitive bidding: procedures - SB 694(Correia): Extends the time line under the Uniform Public Construction Cost Accounting Act to eight business days to request a Commission review, to 45 days for a commission review of a public agency project that is to be performed after rejection of all bids, and to 90 days for a commission review of work for which evidence was provided that the work has exceeded the force account limits or has been improperly classified as maintenance.

Design-build for Counties and Cities - SB 879(Cox): Extends the sunset for the use of design-build by counties from January 1, 2011 to July 1, 2014, and aligns the design-build statutes for cities and counties.

Local Government Omnibus Act of 2010 - SB 894:The “Local Government Omnibus Act of 2010” made several non-controversial changes to state laws affecting local agencies’ powers and duties. The changes made impacting public works construction relate to county public works contracts and change orders and raise the limit on change orders for public works contracts that county supervisors delegate to county officials and contracts and change orders for county bridges, county waterworks districts and the Los Angeles County Flood Control District.

Los Angeles County Metropolitan Transportation Authority: contracting - SB 1341(Price): Enacts provisions for the Los Angeles County Metropolitan Transportation Authority (Metro) relative to preferences in contracting for small business enterprises. The bill creates a process for Metro to establish a small business participation goal of 5% for construction projects, services, and the acquisition of supplies funded with local, state, or other nonfederal sources of revenue. The bill also provides for the conditions that must be met for the small business preference to apply.

**Insurance and Liability Issues:**

Contractors: workers’ compensation insurance coverage - AB 2305(Knight): Extends the sunset date, from January 1, 2011 to January 1, 2013, on existing law requiring a roofing contractor to obtain and maintain workers’ compensation insurance, even if he or she has no employees.

Mechanics liens - SB 189(Lowenthal): Overhauls the Mechanic’s Lien Law by reorganizing the existing code into different sections for the intended purpose of greater statutory clarification. Due to its volume of changes the law is not operative until July 1, 2012.

Contractors: limited liability companies - SB 392(Florez): Allows contractors to be licensed as “limited liability companies” under the state contractor’s license law. The bill contains bonding requirements that exceed traditional licensure requirements by requiring a $100,000 employment bond for the purposes of covering lost wages and benefits. Due to “ramp up” time required by the Contractors’ State License Board to implement the new license provision the law does not take effect until “no later” than January 1, 2012.

Contractors: workers’ compensation insurance coverage - SB 1254(Leno): Authorizes the registrar of the Contractors’ State License Board to issue a stop order to any contractor, licensed or unlicensed, who failed to secure workers’ compensation coverage for his/her employees. Additionally, employees affected by the work stoppage must be paid by the employer for lost time, up to 10 days, while the employer seeks to comply with law.

**Employment and Administrative Issues:**

Meal periods: exemptions - AB 569(Emmerson): Exempts from meal period provisions, employees in the construction occupation, commercial drivers in the transportation industry, employees in the security services industry and employees of the electrical and gas corporations, if those employees are covered by a valid collective bargaining agreement containing specified terms, including meal period provisions.

Labor Commissioner: appeals - AB 2772(Committee on Labor and Employment): Clarifies that an employer wishing to appeal a Labor Commissioner decision with the superior court must first post a bond in the amount of the judgment rendered in the administrative hearing.

Occupational safety and health - AB 2774(Swanson): Establishes new procedures and standards for an investigation of a serious violation in the workplace and establishes a rebuttable presumption as to when a serious violation has been committed by an employer.

Employment: leave and benefits - SB 1304(DeSaulnier): Requires private employers to permit employees to take paid leaves of absence for organ and bone marrow donation. The bill requires a private employer to restore an employee returning from leave for organ or bone marrow donation to the same position held by the employee when the leave began or an equivalent position. The bill also creates a private right of action for an aggrieved employee to seek enforcement of these provisions.

State Air Resources Board: administrative and civil penalties - SB 1402(Dutton): Requires a written communication from the state board alleging that an administrative or civil penalty will be, or could be, imposed either by the state board or another party, including the Attorney General, for a violation of air pollution law.
AGCC Officers to Be Installed This Month

Installation Slated for January 28th in Southern California in Conjunction with First Board Meetings of Year

The 2011 officers of the AGC of California are formally being installed this month. The installation will take place on January 28th during a special dinner at The Grand Californian at Disneyland in Anaheim, held in conjunction with the first division and state board meetings of the year.

Gerry Diloli IV, western division manager of Herzog Contracting Corp., Long Beach, will be installed as President of the association. Other officers to be installed for 2011 include: Senior Vice President John Nunan, president of Unger Construction Co., Sacramento; Vice President Randy Douglas, president of Tierra Contracting, Inc., Goleta; Treasurer Curt Weltz, President of the Western Region, Flatiron West, Inc., Benicia; and Immediate Past President Bob Christenson, Sr. Vice President of Panattoni Construction, Inc., Sacramento.

Thomas T. Holsman, AGC’s Chief Executive Officer, will serve as Secretary of the approximately 1,200-member statewide association.

President Gerry Diloli

Gerald (Gerry) Diloli, IV was born in Anaheim, CA, and graduated from high school in Yuma, AZ. He joined Herzog Contracting Corp. in 1993 as track foreman and was soon promoted to his current position of Western Division Operations Manager. Prior to his work for Herzog Diloli served as roadmaster for Eureka Southern Railroad from 1988 to 1993 and before that as a machine and equipment operator for St. Marys River Railroad from 1980 to 1988. His activity in AGC has included serving as Vice President in 2009, Treasurer in 2008, as Chair of the Jt. Engineering Division in 2007 and as Vice Chair of the Division in 2006. (For more on Diloli, see feature on page 10.)

Vice President Randy Douglas

Born in Fresno, Douglas attended Carmel High School and then went on to attend Cal Poly San Luis Obispo where he received a degree in Agricultural Engineering. He founded Tierra Contracting, Inc., Goleta in 1978, where he continues as President today. In addition to being actively involved in AGC of California, Douglas is a board member of the Santa Barbara Humane Society and served as a board member of the United Boys & Girls Club of Santa Barbara for several years.

Senior Vice President John Nunan

John Nunan was born in Minneapolis, MN. He attended UC Santa Barbara where he received his bachelor’s degree in Russian, and then received his master’s degree in Slavic Linguistics from UC Los Angeles. He joined Unger Construction Co. in 1977, and has served as president of the company since 1990. In addition to his active involvement in AGC, Nunan has served as board member and Past President of the Construction Industry Crime Prevention Program; as president of the Sacramento United Soccer Club; as Commissioner and Past Chair for the City of Sacramento Development Oversight Commission; and as Board Member and Treasurer for the Sutter Roseville Medical Center Foundation, among other things.

Treasurer Curt Weltz

Curt Weltz was born and grew up in San Jose, CA, and then received his Construction Engineering Management Degree from West Valley College in Saratoga in 1985. He started in the construction industry in 1980, joining Flatiron in 1997 to assist in the startup of FCI North. Weltz managed the highly successful Carquinez Suspension Bridge project from 2000 to 2003, and then was named President of Flatiron West, Inc., Benicia in 2003. He was promoted to President of the Western Region of Flatiron in 2007. Within AGC, Weltz has served as East Bay District Chair, as Chair of the Joint Engineering Division and has served on the Legislative Committee. He is also a Board member on the International Partnering Institution and sits on the Caltrans Partnering Steering Committee.

Immediate Past President Bob Christenson

Bob Christenson was born in Sacramento, CA and attended Willamette University and the University of Nevada. In addition to owning his own construction company, he worked as the Construction Manager for Moana Corporation, a San Francisco based real estate development company from 1979 to 1983, and as Project Manager for Skywalker Development Co. (a division of LucasFilm Ltd) from 1983 to 1986. After a couple years of consulting he joined Panattoni Development Co. (which later came to include Panattoni Construction, Inc.) in the late 1980s, moving through the ranks over the years to his current position as Senior Vice President.
AGC of California has announced its 2011 State Board of Directors. General Contractors serve three year terms while Associate and Specialty Contractor members all serve one year terms.

Among the new Directors elected this year are:
- Mike Mencarini, Unger Construction Company, Sacramento
- Jim McLamb, The Clark Construction Group – California, LP, Costa Mesa
- Cary Purves, Ortiz Enterprises, Inc., Irvine
- Mike Ruzek, Flatiron West, Inc., Chowchilla
- Erwin Villegas, Frank Shipper Construction Co., Santa Barbara

The remaining incumbent state directors include:
- Jaimie Angus, Griffith Company, Brea
- Jon Ball, Hensel Phelps Construction Co., San Jose
- George Bradshaw, Underground Construction Company, Inc., Benicia
- Gus Bruner, Caliaguia, Inc., Chino
- Jim Campbell, Ausonio Incorporated, Castroville
- Gary Castro, KRC Safety Co., Inc., Visalia
- Don Chapin III, The Don Chapin Company, Inc., Salinas
- Bob Christenson, Panattoni Construction, Inc., Sacramento
- Bruno Dietl, Vulcan Construction & Maintenance, Inc., Fresno
- Kevin Dow, Turner Construction Company, Anaheim
- Gerry Diloli, Herzog Contracting Corp., Long Beach
- Jerome DiPadova, SKANSKA, Riverside
- Fred Dohle, J.F. Shea Construction Company, Inc., Redding
- Randy Douglas, Tierra Contracting Inc., Goleta
- Stuart Duncan, Warren Duncan Contracting & Equipment Rentals, San Bernardino
- Blaise Fettig, Vortex Marine Construction, Inc., Oakland
- Ernie Ford, Union Engineering Company, Inc., Ventura
- Miguel Galarza, Yerba Buena Engineering & Construction, Inc. San Francisco
- Phil George, Stimpel-Wiebelhaus Associates, Inc., Redding
- Vince Gutierrez, Penhall Company, Anaheim
- Jim Hawk, Rosendin Electric, Inc., San Jose
- Laird Heikens, Hensel Phelps Construction Co., Irvine
- Chris Hickey, William P. Young Construction, San Leandro
- David Higgins, Jr., Harbison-Mahony-Higgins Builders, Inc., Sacramento
- Walt Johnson, KG Walters Construction Co., Inc., Santa Rosa

AGC Announces 2011 State Board of Directors

AGC of California President Gerry Diloli, Herzog Contracting Corp., Long Beach, has announced AGC’s Executive Committee for 2011. The 14-person Committee is comprised of the five officers, occupational division chairs, representatives of the National Affairs Committee, Union Contractors Councils, Open Shop Council, Legislative Committee, Legal Advisory Committee, the Associates Council and the CEO Tom Holsman.

The 2011 officers include: President Gerry Diloli, Herzog Contracting Corp; Sr. Vice President President John Nunan, Unger Construction Company, Sacramento; Vice President Randy Douglas, Tierra Contracting, Inc., Goleta; Treasurer Curt Weltz, Flatiron West, Inc., Benicia; and Immediate Past President Bob Christenson, Panattoni Construction, Inc., Sacramento.

The occupational division leadership includes Building Division Chair Dave Higgins, Jr., Harbison-Mahony-Higgins Builders, Inc., Sacramento, and Vice Chair Mike Mencarini, Unger Construction Company, Sacramento, and Jt. Engineering Division Chair Jim Troup, Monterey Mechanical Co., Oakland and Vice Chair Clint Larson, Reyes Construction, Inc., Pomona.

Additional members of the Executive Committee include: Tom Brickley, Brickley Environmental, Inc., San Bernardino, representing the Open Shop Council; Wayne Lindholm, Hensel Phelps Construction Co., Irvine, representing the Legislative Committee; Chuck Fletcher, representing the National Affairs Committee; Larry Lubka, Hunt Ortmann Palfy Nieves Lubka Darling & Mah, Inc., Pasadena, representing the Legal Advisory Committee; Barry Corea, McGraw-Hill Construction, Orange, representing the Associates Council; Luke Walker, Griffith Company, Santa Fe Springs, representing the Construction Leadership Council; and Don Dolly, Foundation Contractors, Inc., Oakley, representing the Union Contractors Councils.
Standing State Committee/Council Chairs Named

2011 AGC of California President Gerry Diloli announced the appointments of leaders for AGC’s standing statewide committees/councils during the year.

Chairs and Vice Chairs named were:
• Associates Council: Barry Correa, McGraw Hill Construction, Anaheim, Chair
• Awards Committee: Randy Doug- las, Tierra Contracting, Goleta, Chair; Mike Mencarini, Unfer Construction Company, Sacramento, Vice Chair
• Construction Leadership Council: Luke Walker, Griffith Company, Santa Fe Springs, Chair
• Legal Advisory Committee: Larry Lubka, Hunt Ortmann Palfly Nieves Lubka Darling & Mah, Inc., Pasadena, Chair
• Legislative Committee: Wayne Lind- holm, Hensel Phelps Construction Com- pany, Irvine, Chair
• Membership Development Commit- tee: Randy Douglas, Tierra Contracting, Inc., Goleta, Chair
• Nominating Committee: Wayne Lind- holm, Hensel Phelps Construction Com- pany, Irvine, Chair
• Open Shop Council: Tom Brickley, Brickley Environmental, Inc., San Bernar- dino, Chair
• Safety & Health Council: Cory Bykoski, Dynalectric-KDC Systems, Los Alamitos, Chair; Ike Riser, Shim- mick Construction, Oakland, Vice Chair
• Specialty Contractors Council: Scott Lange, Unlimited Environmental, Signal Hill, Chair; Chip Sterndahl, Sterndahl Enter- prises, Inc., Sun Valley, Vice Chair
• Union Contractors Council – North: Gil Crosthwaite, Teichert Construction, Sacramento, Chair
• Union Contractors Council – South: Mark Thurman, ARB Structures, Inc., Chair; Mike Rodriguez, Security Paving Company, Inc., Vice Chair.

AGC Districts Elect 2011 Chairs, Vice Chairs

AGC boards of directors for the AGC of California’s 12 districts have elected chairs and vice chairs for the respective districts for 2011.

The District Chairs and Vice Chairs are:

EUREKA – Vacant

SHASTA – Chris Handley, Tullis, Inc., Redding, was elected Chair. Phil George, Stimpel-Wiebelhaus Associates, Inc., Redding, was elected Vice Chair.

DELTA-SIERRA – Mark Shafer, Gran- ite Construction Company, Sacramento, was elected Chair. Bruce Stimson, Airc Mechanical, Inc., Sacramento, was elected Vice Chair.

NORTH BAY – George Bradshaw, Under- ground Construction Company, Inc., Benicia, was elected Chair. John Boies, Granite Construction Company, Healds- burg, was elected Vice Chair.

SAN FRANCISCO BAY AREA – Dave Niese, Flatiron West, Inc., Benicia, was elected Chair. Aaron Silberman, Rogers Jo- seph O’Donnell, San Francisco, was elected Vice Chair.

SANTA CLARA – Dave Perry, Cen- tral Concrete Supply Co., Inc., San Jose, will serve as Chair and Seth Boles, Hensel Phelps Construction Co., San Jose, will serve as Vice Chair.

MONTEREY BAY – Jim Campbell, Campbell Enterprises, Salinas, was elected Chair and Karl Philipovitch, Graniterock/ Pavex Construction Division, Watsonville, was elected Vice Chair.

SAN JOAQUIN – Gary Castro, KRC Safety Co., Inc., Visalia, was selected to serve as Chair, and Bob Servadio, Agee Construction Corpo- ration, Clovis, will serve as Vice Chair.

TRICOUNTIES – Pete Hemesath, Diani Building Corp., Santa Maria, was elected Chair, and Blair Douglas, Tierra Contract- ing, Inc., Goleta, was elected Vice Chair.

LOS ANGELES – Jennifer Garcia, Reyes Construction, Inc., Pomona, was elected Chair and Kevin Malloy, Trench Shoring Company, Los Angeles, was elected Vice Chair.

ORANGE COUNTY – Tim Nunn, Califor- nia Equipment Rentals, Inc., Anaheim, was elected Chair, and Derek Rados, Steve P. Rados, Inc., Santa Ana, was elected Vice Chair.

RIVERSIDE/SAN BERNARDINO – Ken Coate, Inland Surety, Riverside, was elected Chair and Gus Bruner, Caliagua, Inc., Chino, was elected Vice Chair.

CARB Approves Off-Road Diesel Amendments

The California Air Resources Board (CARB) last month unanimously approved amendments to the off-road diesel vehicle regulations rule and voted to delay imple- mentation for all fleets in California for at least four years.

The revisions, negotiated by AGC over the past year, will give construction companies time to comply with off-road diesel emissions rules while delivering lower emissions than the original version of the rule.

The off-road regulation will reduce costs by 97% over the next five years, ex- pand or extend credits for businesses that comply before their deadline or have downsized, and ease annual requirements to clean up engines.

Following the vote, AGC’s general counsel, Mike Kennedy, noted that the board members demonstrated real wis- dom and courage in acknowledging sig- nificant errors in the original estimates of emissions from construction and other off-road diesel equipment. The vote repre- sents a significant victory in a multi-year battle taken on by AGC and other industry groups to protect contractors from need- lessly replacing billions of dollars’ worth of equipment. Had the board allowed the rule to be enforced, any state would have been free to adopt the same rule, jeopardiz- ing the viability of construction companies across the United States.

For more details on the Off-Road Regu- lation, visit http://www.arb.ca.gov/ordiesel.

CARB also on December 17th ap- proved the low use mileage exemption for on-road diesel vehicles, raising the limit from 1,000 mile to 15,000 miles. For more details on the Statewide Truck and Bus Regulation, visit http://www.arb.ca.gov/dieseltruck.
AGC President Focuses on Keeping AGC on Track in 2011

By Carol Eaton

Gerry DiIoli literally has railroad- ing in his blood. As the fourth generation in his family to make a living in the railroad industry—beginning with his great grandfather and encompassing many other relatives spanning several decades—it’s safe to say he possesses more than a passing knowledge of how to keep a locomotive on track and a train system running smoothly.

DiIoli will channel that experience and knowledge this year in his role as President of AGC of California. His goal is to likewise keep the association on track and moving forward despite what will no doubt be another challenging year in 2011, when the construction industry is expected to limp toward recovery while California contractors continue to face myriad regulatory, legislative and economic challenges along the way.

DiIoli says he plans to stick closely to the long-term strategic goals and objectives laid out by association leadership in their strategic planning sessions in recent years, including providing strong and diverse services tailored to meet members’ needs; marketing and communicating those services to AGC members and the industry at large; and focusing on expanding AGC’s workforce development and educational efforts, among other things.

Roots in the Railroad Industry

A native of Anaheim, CA, DiIoli and his family lived in several different locations growing up as his father followed railroad jobs across the U.S.—a lifestyle he equates to that of a “navy brat.” While most of his high school years were spent in Yuma, AZ, DiIoli finished school in Idaho and took his first railroad job there with St. Maries River Railroad in the summer prior to his senior year.

The pay was good, and that along with his family’s roots in the business led him to pursue the same career path. DiIoli started out as a railroad laborer and moved on to serve as an equipment operator on a rail replacement gang. When the opportunity arose to return to his home state of California he jumped at it, taking a job with Eureka Southern Railroad as track and structures gang foreman directing men and equipment in railroad construction and rehabilitation of all types in Northern California, between Willits and Arcata. He spent a three-year stint in train service, performing the duties of passenger and freight train conductor and locomotive engineer, before returning to a position as track and structures superintendent and his heritage of railroad construction and repair.

In 1992 Herzog Companies made an offer that DiIoli could not refuse: return to his original home in sunny Southern California to work for their operation. Founded in 1969 primarily for asphalt paving and airport construction in the Midwest, Herzog has since grown to specialize in railroad construction, transit services, civil construction and railroad services nationwide. The Herzog Companies have performed railroad and transit-related services for all the major transportation agencies in California, including the San Diego Trolley, Los Angeles MTA, Southern California Regional Rail Authority, Sacramento RTD, San Jose Transit, BART and more.

By mid-1993 DiIoli was Herzog’s track inspector on Metrolink’s Orange County Subdivision, and in 1996 the company promoted him to project manager of all Metrolink system capital rehab and maintenance projects covering over 370 miles of track and structures. He was promoted to his current position of Western Division Manager of Herzog Contracting Corp’s Railroad Division in 2004, with responsibility for oversight and support of all railroad projects in the western U.S. and beyond.

Involvement in AGCC

Gerry DiIoli became active in AGC of California approximately eight to nine years ago when Al Landes, Herzog’s Western Region Vice President and a Past President of AGC, moved to the company’s corporate headquarters in Missouri. DiIoli stepped in to become the company’s representative on AGC’s Los Angeles District Board. He was elected Vice Chair of the Joint Engineering Division in 2006, Chair in 2007 and then began making his way through the officers’ corps, serving as Treasurer, Vice President and Sr. Vice President before being elected to the top leadership post as President of the association for 2011.

“Workforce education will be a major challenge in the near future. We need to continue positioning ourselves as an association to meet that challenge. There are billions of dollars in transportation funds and appropriations coming in California, and there is going to be pressure to fill a lot of jobs someday soon.”

- Gerry DiIoli

During his tenure with the association DiIoli has seen close-up the diverse and important roles AGC plays representing the construction industry’s interests and concerns in many arenas, from legislative and regulatory to labor relations and safety among others.

“I do believe legislative and regulatory advocacy need to be at the forefront of our industry’s concerns, and AGC clearly is a leader in those areas due to the strength and dedication of its members and staff,” he comments. He sees a strong opportunity to improve education and training opportunities to meet a future needs. “Other than the obvious budgetary and economic problems we continue to face, I believe work-
force education will be a major challenge in the near future,” he comments. “We need to continue positioning ourselves as an association to meet that challenge. There are billions of dollars in transportation funds and appropriations coming in California, and there is going to be pressure to fill a lot of jobs someday soon, believe it or not – and I don’t think we’re exactly ready for that. We need to let our members know and the industry know that this is going to come down the pipe and help them utilize the training that we make available.”

Diloli also plans to focus on continuing to build on AGC’s reputation as the “Voice of the Construction Industry” and to focus on member growth and retention through communications and marketing. “I think we’ll make a concerted effort towards communicating the types of services AGC provides – whether it is safety, legal, legislative, regulatory, open shop, industrial relations or workforce education – concentrating on the individual contractor’s or associate’s specific needs,” he notes.

At Home in Southern CA

Diloli and his wife, Tina, make their home in the Southern California town of Temecula. In addition to enjoying the hobby that he jokingly describes as “ruining a beautiful walk with nature – we knockleheads call it golf,” he enjoys spending time with their son, J.D., 21, and keeping in touch with daughter, Tawny Nakata, 22, as well as two grandchildren Kylee, 3, and Karlee, 1, who are all stationed with son-in-law, Chad, at Camp Le Juene, N.C.

Given his family’s heritage in the rail-road industry, it would be natural for the Diloli house to be brimming with the history and artifacts of that industry – and he says in fact there is plenty of memorabilia to be found boxed up in his garage, from old lanterns that were once used as the sole means of signaling to crates full of old railroad locks. Still, perhaps not surprisingly, DiIoli points out that a trip on the railroad is not exactly his preferred mode of travel these days. “I won’t ride a train now; I’ve just been on so many trains in my life,” he says with a laugh. “When Tina suggested recently that we take a train trip up the coast, I said ‘no way’. I’d really rather fly.”

Herzog Building Metrolink Project

Close coordination with multiple stakeholders a strong relationship forged among diverse project team members has kept a complex railroad project under way by Herzog Contracting Corp. in Orange County on track, despite myriad challenges along the way.

The $46.5 million Metrolink Expansion and Enhancement project involves two separate major scopes of work. The first, Schedule A, primarily involves track work, stations and some right of way improvement work, including expansion modifications to two existing passenger station platforms, installation of 28 concrete tie turnouts into active railroad, construction of 15 turnouts in new rail road alignment, construction of 25,000 concrete tie track, and construction of one railroad bridge and extensions of two concrete box culverts, among other things. This approximately $32 million portion of the project got underway in August 2009 and is slated for completion in January 2011. Schedule B work consists of quiet zone safety improvements to 50 at grade crossings along the Metrolink Orange County Corridor that passes through nine cities. This portion is slated for completion in August of 2011.

Herzog has overcome a host of challenges on the project, according to project manager Deron Haptonstall, including working with, and in, nine different cities in Orange County; performing all work adjacent to active railroad tracks; close communication and coordination with the local community to mitigate the impact to neighboring businesses and residences; and implementation of numerous design changes into the construction process. He notes that much of the Schedule A work has been performed during nights and weekends.

“This is the only corridor wide and maybe the largest Quiet Zone project ever undertaken by a railroad in the nation, so it has gotten the attention of many other transportation authorities in the country,” Haptonstall says. “The success of this project could be a determining factor when other such authorities consider implementing quiet zone features in their systems.”

He attributes the success of the project to the close cooperation and partnering relationship forged among multiple stakeholders and project team members, from the OCTA and SCRRA to city officials and the contractor. “This has ensured that changes can be implemented quickly with consideration for the financial health of all parties involves, while also ensuring that the project is built on time, with exceptional quality and minimal impact to the affected communities,” he adds.
Communication in Labor/Management Relations

By Gil Crosthwaite of Teichert Construction, Chair
Northern California Union Contractors Council

All we have to do is to look around to see the monumental change in our lives. Forty years ago, life was simple. Today, the world is infinitely more complex and the rapidity of change is staggering. This evolution affects every facet of our lives – especially on a professional level.

As an example, simply look at the change in our own industry. In construction, we have witnessed enormous change, and ultimately, the growing pains that come with it. What does it take to manage the forces of change? In most instances, managing process change and material characteristics is a relatively easy task; it’s the personnel issues that are the real test.

For now, let’s look at the communication process as it relates to labor/management relations. As defined by Webster, the act of communication is the exchange of thoughts, messages or ideas. Webster definitely had positive outcomes on his mind; we know this because he never once referenced the consequences of failed communications. And, as we all know, failed communications normally have a negative impact on labor relations.

If we wish to avoid failed communications, we have to understand the communication process. From a process perspective, all you need is a sender, a message, a receiver who understands the message and a medium to send the message. In our arena, the sender and receiver are self-explanatory and the message will be self-defining. Our medium will vary among the verbal, visual, and written forms. Ironically, our industry does not exist in a model and things are never as simple as they seem. Life gets in the way and life is messy. With the mess of life comes the bane of the communication process: noise!

In communications, noise is anything that presents a barrier between the sender and the receiver of a message. A brick wall, an attitude, a misconception, a pre-conceived notion, a language barrier, or any one of a hundred and one other things, can constitute the noise that destroys a successful communication. Noise can come from the sender or the receiver of the message, or as a product of the physical environment in which the message is sent.

Eliminating noise in the communication process is the most difficult aspect of sending or receiving a clear message. We all understand that the mechanics of removing the physical barrier to communication is normally easy to accomplish; we can move away from a wall or we can retreat to quieter area. If the need arises, we can even use an interpreter.

Where we often fall painfully short is being able to control individual perspectives, attitudes, and built in bias. As human beings, these issues are undoubtedly the most volatile in nature and the hardest to mask. As an example, do you think it is possible to convince someone of your sincerity when you are telling them, “I’m not upset” while the veins on your neck are popping out, your fists are clenched and you are yelling at the top of your lungs?

From a practical perspective, we can clearly see that if we expect to use communication as an effective tool in labor/management relations we have to eliminate the noise from the process. The easiest way to accomplish this task is to keep emotions under control. Stay focused on the situation and the facts of the matter. If we achieve this goal it will help both labor and management work collectively for the good of the industry. 📈
AGC Districts, Construction Education Foundation Honor CSU Chico as Top Ranking Student Chapter

By Erin Volk

AGC student chapters exist to encourage and support student interest in the professional construction industry and are integral to the process of developing the next generation of quality industry professionals and leaders.

In November 2010, California State University, Chico’s AGC Student Chapter was awarded first place in the 2010 AGC of America Outstanding Student Chapter of the Year Contest. In their third year of operation after being in hiatus for several years, the CSU Chico Student Chapter was recognized as the top student group for exceptional community service and commitment, largely for their work building new transitional housing for victims of domestic violence in January 2010. The “Blitz Build” project consisted of two 840-sq.-ft. houses that were completed by more than 250 student and community volunteers in nine days. The effort totaled roughly 15,000 man-hours, and the project was developed, led, and managed by AGC Student Chapter Project Manager Christina Pantera as well as other members of AGC Student Chapter leadership.

In honor of this achievement, leadership from the AGC of California’s Shasta and Delta Sierra District Boards and the AGC Construction Education Foundation held a recognition lunch in Chico, CA, on December 14, 2010. Also in attendance were 2010 AGC Student Chapter leadership and their faculty advisor. At the lunch, the Student Chapter was presented with their AGC of America award plaque and a $1,500 check which can be used towards 2011 chapter operations.

Additional checks totaling $4,000 were presented to the student chapter from the Delta Sierra District and the AGC Construction Education Foundation. The scholarship funds awarded will be put to good use in funding 2011 student chapter project expenses and individual scholarships for student chapter members.

Currently the CSU Chico Chapter has 90 recognized student members, and they are planning the next community service “Blitz Build” for January 14-23, 2011. The chapter plans to complete two more emergency houses which will immediately shelter domestic violence survivors and their families. Look for coverage on their successful 2011 “Blitz Build” in a future edition of the California Constructor. For more information on CSU Chico’s upcoming build and/or how you can support this and other AGC Student Chapter activities, please contact Erin Volk at volke@agc-ca.org.
R. M. “Mike” Phelps, president of the Beavers, has announced the recipients of the 2011 Golden Beaver Awards. The awards will be presented at the 56th Annual Awards Dinner to be held Friday, January 21, 2011 at the Hyatt Regency Century Plaza in Los Angeles. The guest speaker for the event is former Florida Governor Jeb Bush.

**Bill T. Dutra**, President and CEO of The Dutra Group, San Rafael, CA, will receive the Management Award. A graduate of Oregon Institute of Technology, Dutra joined his family dredging and marine construction business, becoming the third generation involved in the operations. Dutra pioneered the use of hydraulic excavation equipment in North American dredging and distinguished himself in the field of underwater blasting excavation for the sunken tunnel on Boston’s “Big Dig”.

The Engineering Award will be presented to **James E. Monsees**, Senior Vice President and Technical Director of Underground Engineering for Parsons Brinkerhoff. Monsees earned a bachelor and masters degree in civil engineering from the University of Missouri, then a PhD in Geotechnical Engineering from the University of Illinois. Over the last 50 years Monsees has earned a reputation as an expert in the design and construction of tunnels and underground facilities. He has made numerous contributions in the areas of equipment development and construction technology.

**Gary Janco**, vice president of C. C. Myers, Inc. of Rancho Cordova, CA will receive the Supervision Award. During his apprenticeship as a carpenter, Janco became interested in bridges and has spent the last 43 years building them. He was hired as the first general superintendent when C. C. Myers started his company in 1977. During his career Janco has been involved in many high profile projects, including the reconstruction of the Santa Monica Freeway after the 1994 earthquake, the Century Freeway and more recently weekend roadway replacement projects for the new San Francisco Bay Bridge.

The Service and Supply Award will be presented to **Edmond E. Traille**, CEO and managing partner of GALLINA LLP, Walnut Creek, CA. A graduate of the University of Notre Dame, Traille has over 40 years of experience assisting contractors with business, tax and financial reporting issues. He has generously shared his expertise with national and state construction associations, both as an active member as well as an educator.

A Special Award will be presented to **Gerard J. Carty**, Executive Director of The Moles, Woodcliff Lake, NJ. After earning a civil engineering degree from the University of Notre Dame, Carty began a 40-year construction career, starting with Johnson, Drake and Piper, and ultimately as vice president and chief engineer of Walsh Construction Co. In 1993 he was named Executive Director of The Moles, where he has dramatically improved their educational program and scholarship support for civil engineering students.

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**Johnson Machinery Names New General Sales Manager**

Johnson Machinery, the Caterpillar dealer for Riverside and San Bernardino Counties, has promoted Joe Schiefer to the General Sales Manager of their construction equipment division.

Schiefer brings over 20 years managerial experience to the position, 12 of which have been in the construction equipment industry. Prior to coming to Johnson Machinery two years ago as an equipment salesman, he worked for Bejac Corporation.

Schiefer said he is looking forward to leading the machine sales effort for Johnson Machinery as the economy in the Inland Empire turns the corner. “I look forward to working closely with our sales team, and expanding our relationships with our customer base in the Inland Empire,” he said. Along with Johnson Rental Services, Johnson Power Systems, Ever-Pac, and Johnson Lift, we are positioned to partner with the progressive companies we serve as the economy rebounds.”

Johnson Machinery has served the Inland Empire since 1940. As Caterpillar’s only Platinum level dealer, they offer sales, parts and service, rentals, and emissions solutions. For more information visit www.johnson-machinery.com.
Blach Adds Scott Bergstrom to Healthcare Team

Blach Construction Company recently announced that Scott E. Bergstrom has joined the company as a project executive leading its growing healthcare team.

A seasoned construction professional with nearly 20 years of experience in the industry, Bergstrom has served in project leadership roles with some of the region’s most notable construction firms including Turner, Hathaway Dinwiddie and Rudolph & Sletten. His experience encompasses a broad range of commercial construction types and features many prominent buildings across the Bay Area landscape.

Chief among his many construction achievements are the $300 million Valley Medical Center replacement hospital, an $80 million renovation of Lucile Packard Children’s Hospital, the $76 million Britannia Oyster Point office park, and numerous other projects for clients such as El Camino Hospital, Johnson & Johnson, Alza Pharmaceuticals, Stanford University, Intel, Genencor and others.

“Scott’s extensive project management experience and high level personal relationships with many of the region’s top construction buyers will be a great asset to Blach Construction as we continue our strong growth and project diversification,” commented Dan Rogers, executive vice president and chief operating officer.

Bergstrom joins an experienced team that is currently serving clients such as Kaiser Permanente, Cypress Healthcare Partners, Palo Alto Medical Foundation and others.

Blach Construction Company celebrated its 40th anniversary in 2010. Operating in Northern and Central California with offices in Santa Clara, Monterey and Stockton, the company’s experience encompasses a broad cross section of commercial, industrial and institutional building types, including education, healthcare, technology, life sciences, professional services and civic/community facilities. Blach is also a recognized leader in sustainable design and construction.

Rick Fedrizzi, President, CEO and Founding Chair, U.S. Green Building Council, stated, “LEED certification identifies the Diani Companies Office as a pioneering example of sustainable design and demonstrates your leadership in transforming the building industry.”

The Diani Companies have been active primarily in the state of California for 61 years through its family of companies performing general building construction, metal building construction, construction management, design-build, environmental remediation and restoration services, and landfill operation services. The Diani Companies include Diani Building Corp., A. J. Diani Construction Co., Inc., Central Coast Remedial Resources, Inc., Diani Ward Diani, LLC and Ward & Associates.
Preparing for an OSHA Inspection
By Jerry Shupe, CSP, Hensel Phelps Construction Co.

Most companies probably agree that they don’t want to have OSHA at their workplace; however, being prepared for an OSHA Inspection can help save your company time and money in the event you have an inspection. It is important to remember that employers and OSHA should have the same goal – preventing accidents and injuries.

Reasons for an Inspection
OSHA will show up to your project for a number of reasons, including: complaints, accidents, sweeps/programmed inspections, follow-ups, referrals, or drive-by observations. Determine why an OSHA inspector is at your project and what the scope of the inspection will be. If an inspector is there because of a complaint, they may only want to see one particular area or process. If they are there for a programmed inspection, it may be a “wall-to-wall” inspection. Remember that an inspector can expand the scope of their inspection at any time. The inspection may also include multiple employers.

Preparation
- **Formal Procedure**: Every company should have a formal procedure detailing what should be done before, during and after an OSHA Inspection. This procedure should be available to all supervisors and made site specific. Site specific information could include contacts for the project if OSHA arrives, location of documents like OSHA 300 logs and the Injury Illness Prevention Program (IIPP).
- **Audits**: Thorough and complete safety inspections should be done to ensure a safe workplace and to verify OSHA compliance. Utilize resources that OSHA publishes such as the “Cal/OSHA 1A” form. This form is utilized by compliance officers during an inspection and can be used to help ensure your company has all the required documents that may be asked for during an inspection.
- **OSHA Inspection Kit**: An OSHA inspection kit should be developed and available at each project. Items to include in this kit are: written program for OSHA inspections, company contact list, cameras, tape measure, caution / danger tape, paper, and pens.
- **Training**: OSHA inspection training should be conducted on each project at least annually. It is important that all supervisors know what to do in the event OSHA comes to a project, because inspections can happen on weekends, when employees are on vacation, or when team leaders are away for meetings. The training should include where all documents are located, assignments to be made during an inspection in accordance with your written program, and who to contact. Another good resource that can be used during training is Cal/OSHA’s Policy and Procedures Manual pertaining to “Inspection Procedures.” This is available on Cal/OSHA’s website.
- **Complaints**: Employees have every right to notify OSHA if there are unsafe conditions on your project. Employers should encourage open communication about safety hazards and give employees the opportunity to communicate their concerns to their supervisor. An anonymous safety suggestion box should also be placed strategically on the project for those employees that still do not feel comfortable expressing their concerns. When an employee expresses safety concerns, it is important to take it seriously and address it quickly. Once the item has been fixed, talk to the employee and make sure they are comfortable with the solution.

The Inspection
Advanced noticed will not be given to an employer before an inspection. The representative at the front desk should know who to contact when an OSHA compliance officer comes to your site. Once the management team arrives, verify the credentials of the compliance officer and try to determine why they are at your project. Before the opening conference, the employer should assign individuals specific assignments that include a note taker and photographer. It is also important to remind everyone involved to be professional and treat the compliance officer with respect.

During the exit conference it is important to determine whether citations will be issued. In many cases the compliance officer may not know and might request additional documents using a Document Request Form (Cal/OSHA 1AY).

Follow-up
If you are told that no citations will be issued, contact the compliance officer and obtain a Notice of No Violation after Inspection (Cal/OSHA 1AX). If you receive a citation it is important to take immediate action because a company only has 15 working days to notify the Appeals Board they are appealing the citation. A citation can be issued up to six months after the inspection, so it is important to watch your mail closely.

Resources and Partnership Programs
The Cal/OSHA Consultation service has a lot of great information on their website that can help employers. The consultation service can also perform onsite visits to help with OSHA compliance and has partnership programs for construction including SHARP and the prestigious VPP-Construction Program. This information is available at www.dir.ca.gov/dosh/consultation.html.
When maritime employers use temporary contract workers or when marine construction involves subcontractors, questions arise about which company is responsible for providing Longshore and Harbor Workers’ Compensation Act (LHWCA) coverage for these workers. In these situations, it is important to remember that for any longshore injury, only one employer is responsible for providing compensation benefits, and only that company’s longshore carrier is obligated to pay.

The coverage mandate confers one benefit on that employer: immunity from tort suit by the injured worker. Every other company involved in the work relationship is potentially liable in tort if its actions or those of its employees caused or contributed to the injury. In 1984 Congress strengthened the coverage obligation, overruling the Supreme Court’s interpretation that a general contractor could avoid tort liability when the subcontractor had coverage by obtaining wrap-around insurance.

All maritime employers must secure the payment of benefits for their longshore-covered employees. 33 U.S.C. § 904(a) provides: “(a) Every employer shall be liable for and shall secure the payment to his employees of the compensation payable under sections 7, 8, and 9.” In the case of an employer who is a subcontractor, only if such subcontractor fails to secure the payment of compensation shall the general contractor be liable for and be required to secure the payment of compensation. A subcontractor shall not be deemed to have failed to secure the payment of compensation if the contractor has provided insurance for such compensation for the benefit of the subcontractor.

Subcontractors with workers “engaged in maritime employment” must have longshore coverage for their employees. Most contracts between general contractors and subs involved in marine construction have specific provisions requiring the subcontractor to carry LHWCA coverage. However, experience shows that occasionally the general contractor does not require the subcontractor to produce the entire workers’ compensation policy or does not carefully scrutinize the policy when possible. The shortcomings of this practice are most apparent when a subcontract worker is injured and the general contractor discovers there is no longshore coverage. The Act contemplated such situations, obligating the general contractor to assume responsibility for LHWCA benefits if a subcontractor fails to do so. In that case, the general contractor is immune from suit but the subcontractor can be sued. In most such cases, however, a subcontractor that has not bought LHWCA coverage likely has few assets and probably no liability insurance to pay damages awarded in such a suit.

A “subcontractor” is a company hired to do a portion of a larger project or whose employees engage in work normally done by the general contractor. Not every company whose workers are contractually obligated to work on behalf of a longshore employer can claim this status. For example, the employee of a contractor that drilled for oil could not claim subcontractor employee status from an oil company that owned the drilling lease but did no drilling operations on its own.

The issue with temporary contract workers is whether they become borrowed employees. The legal test for “borrowed employee” varies by judicial circuit, but the determination depends on the degree to which a contract worker becomes integrated into the contractor’s workforce. The borrowing employer is responsible for providing workers’ compensation coverage to its borrowed employees.

In either instance – temporary contract work or subcontract employee – the contract between the general contractor and subcontractor can shift the compensation obligation to any party. Longshore Administrative Law Judges are empowered to analyze contracts and insurance agreements to establish the responsible employer and workers’ compensation carrier. They also may order

The legal test for “borrowed employee” varies by judicial circuit, but the determination depends on the degree to which a contract worker becomes integrated into the contractor’s workforce. The borrowing employer is responsible for providing workers’ compensation coverage to its borrowed employees.
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# Top 10 Projects Awards

Following are the top 10 public project awards California last month, compliments of McGraw-Hill Construction.

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<thead>
<tr>
<th>Project Title</th>
<th>Company</th>
<th>Bid Amount</th>
<th>Project City</th>
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<tbody>
<tr>
<td>Adelanto Detention Center Expansion 70700</td>
<td>S.J. Amoroso Construction Co., Inc.</td>
<td>$89,293,000</td>
<td>Adelanto</td>
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<tr>
<td>CA/DOT Place Hma &amp; Ab-Construct Bridges And Retaining Walls 050161E4</td>
<td>GCC/MCM JV.</td>
<td>$72,271,741</td>
<td>Prunedal</td>
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<tr>
<td>Los Vaqueros Reservoir Expansion - Dam Enlargement 4105021</td>
<td>Barnard Construction Company,Inc.</td>
<td>$35,355,125</td>
<td>Brentwood</td>
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<td>Sand Canyon Ave Grade Separation Project 01662</td>
<td>C.C. Myers, Inc</td>
<td>$22,200,033</td>
<td>Irvine</td>
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<tr>
<td>Westside Parkway Phase IV - Truxtun Tie In T9WP40</td>
<td>Security Paving</td>
<td>$22,167,156</td>
<td>Bakersfield</td>
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<tr>
<td>CA/DOT Place Rubberized Hma type G &amp; Replace 07252504</td>
<td>Security Paving</td>
<td>$20,154,165</td>
<td>Valencia</td>
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<tr>
<td>Mental Health Crisis Facility 50 Facility 5600001737</td>
<td>Soltek Pacific Construction Company</td>
<td>$19,800,000</td>
<td>San Luis Obispo</td>
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<tr>
<td>CA/DOT Existing Ogac To Be Cold Planed &amp; Rubberized Warm Mix 033C8904</td>
<td>George Reed Inc</td>
<td>$19,451,309</td>
<td>Yolo</td>
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<tr>
<td>CA/DOT Install Concrete Storm Drains With Sand Filters 031A73U4</td>
<td>Q &amp; D Construction</td>
<td>$14,191,028</td>
<td>South Lake Tahoe</td>
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<tr>
<td>Lower Crystal Springs Dam Improvements WD2591</td>
<td>Kiewit Pacific Company</td>
<td>$17,360,400</td>
<td>San Mateo</td>
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## Calendar of Events

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<th>Date</th>
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<tr>
<td>January 15</td>
<td>Lead RRP training in Oakland.</td>
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<td>January 19</td>
<td>Design-Build Workshop in Costa Mesa</td>
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<td>January 21</td>
<td>CPM scheduling 101 in Fresno.</td>
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<td>January 22</td>
<td>Trench Shoring Competent Person training in Fullerton.</td>
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<td>January 28</td>
<td>Lead RRP training in Santa Ana.</td>
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<td>February 1</td>
<td>OSHA 10-Hour course in Santa Ana.</td>
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<td>February 2</td>
<td>Pricing &amp; Negotiating Change Orders &amp; Claims Like a Pro course in West Covina. CPR/FA course in Anaheim. Lead RRP training in Sacramento.</td>
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<td>February 4</td>
<td>CPM Scheduling course in Costa Mesa.</td>
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<td>February 7-9</td>
<td>OSHA 30-Hour course in Oakland.</td>
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<td>February 8</td>
<td>Confined Space Training – Competent Person Training in Sacramento.</td>
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<td>CPR/FA course in Sacramento.</td>
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With the advantage of time and perspective, one can see the causes behind the credit crisis leading to our long national recession. The web of related parties includes banks that took on excessive leverage, investment bankers creating increasingly complex and risky financial products, uniformed or complicit rating agencies, mortgage lenders targeting unqualified applicants, ineffective regulators and homeowners who bought into the artificial disconnect between income and home price. Underpinning this fragile system was the belief, supported by decades of experience that home prices in the United States only go one direction - up.

If these signs are so clear to us now, why did we fail to see them before the crisis? The answer is that most of us did not want to see or were simply too busy riding the wave to look deeply at the underlying assumptions. In fact, many leaders were busy trying to find enough labor to staff surging backlogs, protecting top leadership talent from defecting to the competition and just trying to find time for themselves and their families. The life of an executive leader is demanding even in the best of times. Working in the midst of a booming economy provided little sense of urgency to take a clear-eyed and informed look at our assumptions about the economy, even when the alarms were going off all around us.

We all share the pain of not seeing in the construction industry, where our unemployment rate tops 17 percent and we face the prospect of long stretches of less work and lower margins. The industry faces a critical inflection point where organizations will separate into those who pine for the past and react to a rapidly changing environment, and those who anticipate the future and act to capture opportunities. One of the single greatest differentiators in the new reality of our current economy is the capacity of leaders to think strategically.

Enduring organizations develop leaders who can think strategically versus methodically producing a strategic plan document. While many organizations develop a strategic plan every three to five years, great leaders integrate strategic thinking into their everyday decisions and actions. This relationship between strategic planning and strategic thinking is critical but often misunderstood.

Strategic Thinking and Strategic Planning

To succeed in the construction industry, leaders must be excellent tacticians, skillful at the systematic management of business and project processes. Unfortunately, the process-oriented nature of the industry often relegates strategy to a step-by-step exercise. In fact, many construction leaders learn to apply the same problem-solving approach they learned as a project manager to a new, more complicated and ambiguous set of executive challenges. Too often, strategic planning becomes an exercise in incremental improvement when a volatile and unpredictable environment demands a reframing of the competitive landscape in a way that challenges assumptions and creates fresh solutions.

Unfortunately, many executives think of strategy as being synonymous with tactics, and their strategic plans are not strategic even though they may have good ideas but lack game-changing solutions to the long-term challenges their organizations face. Strategic thinking does not replace strategic planning, but it does enhance it. Strategic thinking adds the power of scenarios to strategic planning. Strategic thinking is not something that is over once the strategic planning retreat ends. It is strategic thinking all the time for leaders in the new normal. When an environment is emergent and unpredictable, strategy has more in common with creative thinking. Ultimately, strategic thinking is an ongoing creative process of understanding and adapting new conditions to one’s goal.

Part of the challenge is that leaders often view their business as too straightforward, meaning they think “we just need to find more project opportunities, bid more work, reduce overhead,” etc. versus driving fundamental long-term change, positioning for the future and creating lasting competitive advantage.

Developing Capacity for Strategic Thought

One misperception is that great leaders have a strategic-thinking instinct like Jack Welch, who titled his memoirs “Straight
from the Gut”. In fact, the most effective strategic thinkers combine intuition gained from experience with the highly rational ability to scan the business environment for patterns uncovering both risks and opportunities. Once leaders are aware of their own capacity for strategic thinking, the ability can be developed.

As the world becomes more complex and competitive, the ability to develop a strategic frame of mind becomes more critical. Some best practices for developing strategic thinking include:

• Engage impartial outside sources such as an executive coach, board member or advisor, to ask hard questions about your beliefs about your business.

• Structure formal mentoring sessions between seasoned strategic thinkers in your organization and the next generation of leaders.

• Conduct regular, eye-opening, data-driven assessments of your customers, competition and company.

• Stay relentlessly up to speed on macroeconomic trends and facilitate rigorous discussion of the potential implications for your business.

• Take a probing look at your underlying business model. Many contractors see their businesses as a series of projects and fail to examine the very model their companies rest upon.

During the boom years, many contractors confused their ability to ride an industry wave with the ability to think strategically about their company and markets. The Great Recession has exposed a lack of strategy in these companies, as their strategy is now just to survive. The ability to think strategically should not be limited to just the top executives; all the leaders and next generation of leaders should invest the resources necessary to develop this skill in order to meet the coming challenges, whether boom or bust.

Jake Appelman is a senior consultant with the FMI’s Center for Strategic Leadership. Jake specializes in helping build great, enduring companies through one-on-one relationships with senior leaders. He can be reached at jappleman@fminet.com or 303.377.7220.
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