Breaking Ground

THE MAGAZINE OF THE MASTER BUILDERS' ASSOCIATION OF WESTERN PENNSYLVANIA

JANUARY/FEBRUARY 2015

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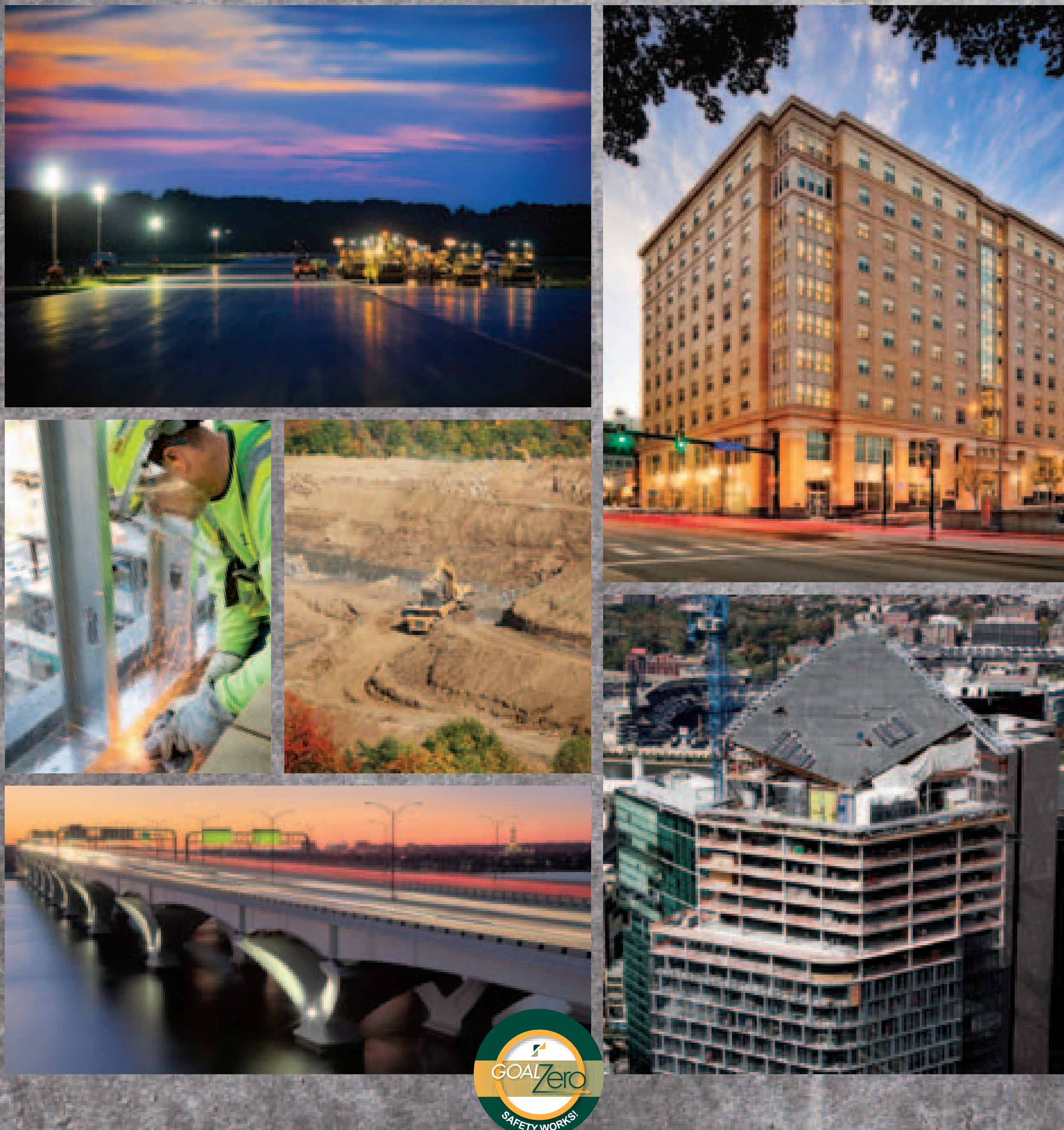
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Contents 2015

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BreakingGround is published by Tall Timber Group for the Master Builders' Association of Western Pennsylvania, 412-922-3912 or www.mbawpa.org

Archive copies of BreakingGround can be viewed at www.mbawpa.org

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On the cover: Passavant Senior Living Abundant Life Center. Photo by Jim Schafer Photography.

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Publisher's Note

The feature article in this month's BreakingGround is an example of what can happen if you let your editorial sources tell the story you want to publish. This particular story was slotted to be the Best Practice column in the November/December 2014 edition. About halfway through the research and writing, however, the content was already 50 percent more than the maximum for that type of piece. So instead of editing aggressively, I decided to let the story play out.

Collaboration and integration are subjects that have become a bit tired. I know we've been writing about them since our BIM article in *BreakingGround*'s first year, in 2007. As a concept, the idea of key partners working together to make a project go more efficiently is a no-brainer. In practice, however, it's virtually been a non-starter. There are a number of practical stumbling blocks to a truly integrated project delivery system – all of which can be overcome without much effort – but the real sticking point has been the industry's lack of inter-party trust.

There now appears to be a real-life business case supporting the concept of a fully collaborative delivery. You'll read about a couple of project cases where there are measurable benefits to all parties that participate in an approach that is integrated technically, contractually and behaviorally. There's some actual data to support savings. That should mean that the industry is at or near a tipping point in its acceptance of integrated project delivery.

Don't hold your breath on that.

Even one of the earliest adopters in this part of the world, the Cleveland Clinic, still moderates on its commitment. The Clinic's head of facilities, Ron Lawson, was the first owner I heard articulate the benefits of full collaboration from design through construction. His short summation of the outcome – "It made construction fun again" – resonated through the audience of people who heard the presentation of a $40 million project. Three years later, when another Cleveland Clinic project was presented to a group of construction professionals in Pittsburgh, the same hospital system espoused the beauty of a collaborative delivery system, while at the same time rationalizing why it pulled the additional profit incentives off the table for the project. In short, the Clinic judged that it could get the same benefits from a design/construction team without offering the same reward.

When one of the early adopters starts tinkering with the delivery method by trying to maximize its take at the expense of its "stakeholders," the case for collaboration weakens.

It seems very clear to me that we are entering a new market phase for construction, especially within the Pittsburgh region. The supply side of the construction equation has been offering its services with a scarcity mentality since 2009 or so. I can't speak to the psychology of the business owners, but I can state unequivocally that from the standpoint of the supply of skilled labor and materials, there is about to be an actual scarcity. Unlike the scarcity mentality, which is characterized by pricing that you might expect on the last job ever to be built, true scarcity brings the opposite kind of bidding. I believe owners of construction projects will see a shift in response to bid invitations as early as this coming year. If an industrial-driven construction boom really does occur in the next few years, construction will be a seller's market unlike we've experienced in a generation or more.

This isn't meant to be a dire forecast for owners. But it is a forecast of an environment where predictability and certainty of outcome will be more important than squeezing a few more dollars out of the bidders. Bargain hunters will find that no one wants to build their projects.

Let's be blunt. A buyer's market is one where owners benefit from contractors and the supply chain beating each other up to drive prices down. It's very attractive to an owner. So much so that most forget that a buyer's market is also one in which that same supply chain fights like the devil during construction to get back the money that went out of the project during bidding. That's much less attractive. That's the environment Ron Lawson described as lacking fun. It's been the prevailing environment for more than five years. And I believe it's about to change.

If I'm right – by no means a certainty – the coming construction climate will be ripe for a more collaborative approach. If construction is going to cost more, wouldn't it be better to know that as early as possible so you can revise the design or your expectations? If contractors are going to be more selective, wouldn't it be better to differentiate your project as more attractive than others in the market? You can do that by assuring a construction manager and a team of design-assist trade contractors that a project will be theirs based on their qualifications prior to the design. You'll also make your architects and engineers happier, since they will spend less time revising or defending their work.

The market is ultimately going to decide what a project costs. All an owner can do is create a delivery method that reveals that market reality. Both adversarial and collaborative approaches will get to a result. One of those approaches yields a "take it or leave" result, while the other offers opportunities to change the result while decisions don't cost money. If the market takes off in the next year or so, owners may find "trust" thrust upon them.

Jeff Burd

REGIONAL MARKET UPDATE

As anticipated, the fourth quarter of 2014 has created more buzz and optimism about the coming year than at any time since the recession of 2008-2009. What optimism exists comes from two areas: the release or start of construction on long-delayed projects and announcements of projects that will actually have little material impact on 2015. There was little increase in the bid market, which is normally what portends an uptick in construction.

Contracting during October and November had already exceeded the $550 million let during the full fourth quarter of 2013. The estimate of fourth quarter contracting by the Tall Timber Group is $740 million, a volume that is higher than normal for metropolitan Pittsburgh and a level that gave businesses a running start into 2015.

The strength of the market remains the commercial real estate sector, with both construction and future opportunities strong in office, industrial and apartment buildings. Among the projects getting underway in this segment of the market were the 305,000 square foot FedEx Ground distribution center in Jackson Township, Butler County; the 150,000 square foot Zenith Ridge 3 office building; the first phase of Oxford's Three Crossings, including 300 units of apartments and a 53,000 square foot office to be anchored by contractor Rycon Construction; the 389-unit Skyvue Apartments, built at the former Allegheny County Health Department site for Ambling University Development by Massaro Corporation; and of course, the first site preparation package for the ethane cracker at the Horsehead zinc plant in Monaca, a package being constructed by a joint venture of Mascaro and Trumbull Energy Services.

It was the announcement of the latter project in early November that seemed to unleash a flurry of project announcements. Royal Dutch Shell's exercising the purchase option for the cracker site had long been viewed as a green light for the project, although Shell maintains that it has not yet made a final commitment to proceed with the plant.

Final word on the Monaca site is not expected to come until after the first quarter of 2015 but Shell is not the only cracker project in the hopper. In addition to the cracker by Odebrecht in the Parkersburg WV area, there are reports of a third facility being located in the region, perhaps at the Allenport site in Washington County on the Monongahela River.

The timing of the increased activity in the downstream market for shale gas is interesting, coming at a point when global oil producers are watching prices plunge due to excess supply over demand. That surplus is largely due to increased North American extraction, much of which is from shale formations. In particular, the Saudi Arabians seem intent on allowing prices to fall below the cost of production for U. S. companies, taking advantage of the low cost of Saudi oil. Recent reports from the Energy Information Agency and producers suggest that U. S. producers have taken strides to become more efficient over the past year and that the cost of producing oil in the U. S. has fallen well below $50 per barrel, perhaps into the mid-$30s.

Forecasts for 2015-2016 exclude work at the Shell cracker site other than the enabling packages already under contract.

If true, this news should comfort those concerned that falling oil prices will quell the good news from Pennsylvania's natural gas industry and limit the development of the related industries. Chevron's announcement of the reorganization of its Appalachian business unit – and subsequent deferral of its new headquarters campus in Robinson Township – is an indication that at least one of the multi-national producers was not as profitable in the Marcellus play. Such reorganization is not unusual in the oil and gas business, which has historically adapted well to changes in the pricing of the commodity. Given the political benefits of energy self-sufficiency, exploration and extraction of natural gas will continue to expand, even if the trend may not be constantly upward.

Concerns about the profitability of the gas industry didn't seem to impact industrial interest in Western PA, which increased immediately after word of Shell's land acquisition was confirmed. Plastics manufacturers General Electric and Ensinger Plastics are in pursuit of sites for large plants and developers in the airport corridor report that interest in properties there has increased markedly in the past two months.

The second major announcement that occurred in November was United States Steel's decision to build a new headquarters complex in the Lower Hill at the former Civic Arena site. The news was viewed as a plus for the city but there are some negatives for the Downtown office market that come with the project. First among these is the fact that the new office lease will be some 35 percent smaller than U. S. Steel's current 420,000 square foot space at 600 Grant Street. The net loss in size aside, the smaller lease in what is a single occupant building means that the steel maker has little plans to grow its presence in the coming decade.

U. S. Steel's exodus from 600 Grant Street will come a year or so after PNC exits the building to occupy the new Tower at PNC Plaza, leaving Pittsburgh's largest multi-tenant office building with as much as 500,000 square feet vacant. With the headwinds facing the healthcare industry, it is unlikely UPMC will be in a position to absorb space at the rate it has been, if at all. Moreover, with The Gardens at Market Square and the Union Trust Building looking for roughly 800,000 square feet of users, the upward trend in rent growth in the Central Business District (CBD) should start to level off in 2015 and 2016. With more competition coming from the CBD fringe markets in the Strip, North Shore and South Side Works, tenants may regain some of the leverage that has shifted to landlords over the past few years.

Should these predictions come to pass, it will be more difficult for new CBD construction but such conditions would encourage the kind of upward mobility that has been missing from Downtown during the recent tight market for space. Additional inventory – especially of blocks over 100,000 square feet – may not cheer up owners but it will likely create a market for tenant improvement projects.

Of course, a negative outlook for Downtown offices discounts the possibility of expansion of the user base through attraction of business. As with all things real estate, the potential for growing demand will depend upon the growth of employment. The most recent data suggests that job growth is occurring.

As the U. S. Bureau of Labor Statistics was reporting November's surprising national job gains in early December, Pennsylvania's Department of Labor and Industry (L & I) reported on unemployment within the region, which declined to five percent in metropolitan Pittsburgh. All seven counties making up the metropolitan area had unemployment below six percent. Unemployment in Allegheny and Butler counties was the lowest at 4.5 percent, followed closely by Washington and Westmoreland at 4.7 percent. The ranks of the unemployed shrank by 2,500 people in Pittsburgh, while those working swelled by 5,300. L & I showed that 1,150 new jobs were created on average each month in 2014.

None of these trends is spectacular in magnitude but the data is persistently positive. The health of the global economy is likely to be a drag on growth for Pittsburgh's international companies, as will the continued uncertainty about revenues and patient visits for hospitals in the wake of the Affordable Care Act and the intense UPMC/Highmark competition. At the same time, Pittsburgh's information technology sector continues to create jobs and opportunities. The energy sector faces more challenges than it did three years ago but there continues to be job growth and capital investment, even setting aside the enormous downstream potential. Manufacturing is the other sector that is poised for growth as a result of the energy plays in Western PA, even though the recent jobs report showed that sector losing jobs. On balance, the factors influencing employment – and therefore space needs – suggest that gains of 10,000 to 20,000 jobs should be expected in Pittsburgh during the coming years.

The construction forecast for that period will be a little harder to gauge. The results for 2014 reflect some of the strengths and weaknesses listed above. The final tally for contracting is estimated to be $2.69 billion, an increase of eight percent more than was earlier forecasted, although a 5.7 percent decline from 2013. Residential construction declined in 2014 compared to 2013 primarily because of the unusual number of apartments built in 2013. Multifamily construction in 2014 will total 2,785 units, down about 850 units from 2013. The 2014 volume is still more than 1,000 units higher than the historical annual norm, however, and roughly 2.5 times the average number of starts from 2008-2012. More than 3,000 apartment units remain in the pipeline for construction in 2015, but with lenders beginning to push back and vacancy rates edging up, it's unlikely that all of these will be started. Look

BENCHMARKS	2013	2014 (f)
Total SFD units	2,009	1,859
Total SFA/Multi-unit	3,642	2,785
Total residential $$	$1,040.5 million	$912.5 million
Total non-residential $$	$2.82 billion	$2.69 billion
K-12 Additions/renovations	$211.5 million	$231.4 million
Hospital construction	$316.9 million	$173.3 million
Hotel construction	$167.9 million	$172.4 million
Industrial construction	$276.8 million	$347.3 million
Office construction	$570.4 million	$337.5 million
Higher education	$176.7 million	$150 million
Retail	$140.2 million	$175.2 million

A comparison of the major market segments shows that the strength of the commercial segments was offset by declines in healthcare and continued weakness in public construction.

for more than 2,000 units but less than 2,500 units in the multi-family category.

Single-family construction declined 7.5 percent in 2014, with 1,859 units estimated in metropolitan Pittsburgh. With home values rising by a double-digit rate, the number of new homes built was constrained by a limited lot supply and borrowing conditions that are still more challenging for first-time buyers. There are few, if any, significant changes expected in these limiting factors and, therefore, little expectation for more than a modest increase in single-family construction in 2015.

Non-residential construction fell below the volume anticipated for 2014, impacted negatively by the severe winter weather in the first quarter and continued weakness in sectors that have historically been leading categories.
A comparison of the major market segments (see Benchmarks) shows that the strength of the commercial segments was offset by declines in healthcare and continued weakness in public construction. Within the commercial category, office construction declined compared to an unusually strong market in 2013 for new construction but the volume was above normal, even with a weak tenant improvement market. Hospital projects declined precipitously, as both of the major healthcare systems pared back capital spending.

The forecast for 2015 includes higher volume for non-residential construction, perhaps as much as $4 billion should the work on the petrochemical complex(s) accelerate. Spending on hospital construction will remain depressed, although activity at the AHN campuses will be greater. The influx of users indicates that commercial construction will see another year of growth, with more new construction of large facilities expected. The category with the most potential for surprise in 2015 is K-12 education, which has seen volumes fall by roughly half in recent years.

The end of the PlanCon moratorium, which stretched two years, invigorated a significant uptick in planning by school districts. Pent up demand for growth and realignment – which will be a greater driver of construction over the next five years – should create a significant increase in projects. Several programs in excess of $60 million – including West Jefferson Hills and Chartiers Valley – are in design and more school districts will be able to get major renovation projects accomplished. Given that incoming Governor Wolf campaigned aggressively on increasing education spending, a mini-boom in school work is in the offing. The length of the planning cycle suggests that more projects will bid in 2016 than 2015, but activity in the sector should be up by more than 20 percent in 2015.

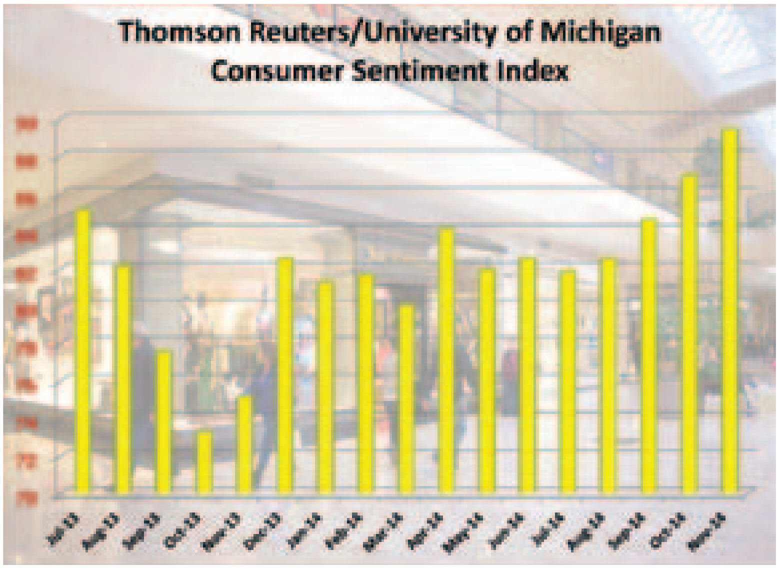
Barring a dramatic change in fortune for the regional economy or a global black swan event, the improving regional outlook should finally appear in bricks and mortar in 2015. If forecasts of the downstream industrial potential prove to be true, 2015 will be the breakout year of a new construction cycle. BG

NATIONAL MARKET UPDATE

Job creation was erratic until mid-2013. Consumer sentiment climbed steadily but consumer activity was often disrupted by one confidence crisis or another during the 2011-2013 periods.

It has been a while since the strength of the economy and the sentiment of the buying sector were so positively aligned going into the holidays as they were in November 2014. By virtually any measure, the U. S. economy demonstrated more activity and resilience than was expected coming into 2014.

During the difficult and uneven recovery from the recession and financial crisis of 2008-2009, there were few, if any, quarters when the key economic drivers were completely positive. Job creation was erratic until mid-2013. Consumer sentiment climbed steadily but consumer activity was often disrupted by one confidence crisis or another during the 2011-2013 periods. Lenders healed balance sheets and became anxious to make loans by mid-late 2012, but federal regulations blunted lending in 2013-2014. After the spring of 2014, however, all segments began to boost the economy. With low interest rates persisting, home values climbing back to pre-recession levels and a surprising 40 percent decline in the price of oil and gasoline in the third quarter, business and consumer confidence is very high going into 2015.



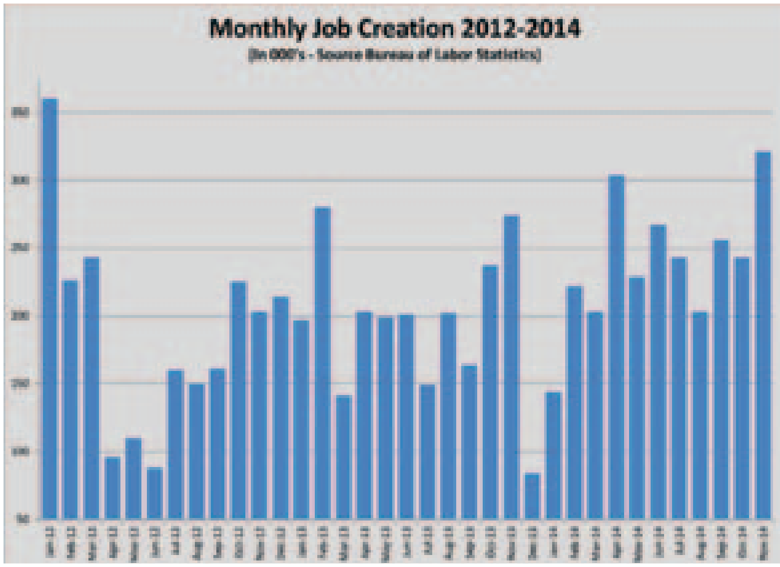
The Reuters/University of Michigan Consumer Sentiment Survey found consumers at their most upbeat prior to the holidays.

November's Reuters/University of Michigan Consumer Sentiment Survey registered 89 percent, the highest since late 2007. November was the fourth straight month of significant increase after a spring/summer of stagnant confidence readings. Lower unemployment, rising home prices and plunging prices for gas all provided more room in the household checkbooks, giving retailers optimism heading into the holiday shopping period. November's consumer retail spending rose a surprising 0.7 percent compared to October and were 5.1 percent higher than the year before. While the Black Friday sales slumped 11 percent, on-line sales and mid-December buying seem to be offsetting that decline.

The updated estimate of third quarter growth in gross domestic product (GDP) was announced on December 23 and the results underscore the widening divergence between the health of the U. S. compared to the rest of the world.

Earlier estimates of 3.5 percent GDP growth proved to be too low. The Commerce Department raised the growth to five percent, as increases in business investment and consumer spending proved to be larger than estimated in October. On the heels of the 4.6 percent gain in the second quarter, the U. S. economy is in its highest growth spurt since the same time in 2003. Business investment grew 7.7 percent in the third quarter rather than the 5.5 percent estimated in October and consumer spending was up 3.2 percent. Domestic demand for U. S. products grew by 3.5 percent during the third quarter.

Surprising December 10 reports on third quarter health care services spending caused a variety of economists



Expansion of employment continued through the fall of 2014.

Another more subtle threat for the global economy is the growing disparity between the risk perceptions of the U. S. economy compared to the emerging economies or Eurozone.

to estimate that the final third quarter estimate of GDP would jump as high as 4.6 percent.

Businesses have responded to the growth by adding to payrolls. The December 5 report by the Bureau of Labor Statistics regarding November's job creation survey was a surprise, with 321,000 new non-farm jobs. The earlier estimates for October were revised upward to show 243,000 jobs added that month. November was the highest number of new jobs since January 2012 and the tenth consecutive month of at least 200,000 new jobs. Unemployment remained at 5.8 percent, mainly because more part-time workers joined the full-time workforce, increasing the total workforce.

The strength of the labor report, especially the decline in part-time employment, suggests that businesses have sufficient confidence in the economy to staff up permanently to meet growth that has occurred. Coupled with a third quarter increase in spending, the jobs report gives more weight to forecasts of expanded capital spending in 2015.

For all the upbeat data on the U. S. economy, there remain several dark clouds over the global economy that could weaken earnings for U. S. corporations and slow the domestic growth engine.

The slowdown in China and the emerging economies has already made an impact on manufacturing in the U. S. Manufacturing output declined throughout the fall into the fourth quarter, dragged down by falling demand in China. Growth in Chinese GDP is expected to be 7.4 percent in 2014 when the dust settles, according to the World Bank. The forecast for 2015 is for further slowing to 7.2 percent, with East Asia's GDP growth expected to be 5.3 percent exclusive of China.

Slowing consumption in China has meant a pullback in its industrial output and a slight decline in property values. The Chinese government has responded with a reduction in interest rates aimed at stimulating borrowing and investment, but the fiscal stimulus may also hasten problems at financial institutions lending in China's real estate market. Few experts in Chinese real estate see a bubble creating a crisis similar to the U. S. mortgage crisis in 2007-2008, but any significant slowdown in investment and construction would put significant pressure on already falling commodity prices.

Another more subtle threat for the global economy is the growing disparity between the risk perceptions of the U. S. economy compared to the emerging economies or Eurozone. Capital inflow to the developing world has slowed since 2013. Slower growth or a recession in Europe will escalate the shift in capital to the West, further weakening the currencies of smaller economies and increasing borrowing costs. That kind of weakened position will increase the risk of loan defaults and put pressure on the banks that are lending in the emerging markets.

And in Europe, the world's oldest economies continue to struggle to recover from the financial crisis of 2008. Germany would fall into recession with another decline in GDP in the fourth quarter and Italy is the leading candidate to reach the precipice of default on its debt in 2015. Another round of bailouts by the European Union will weaken the Euro and there is no guarantee that the stronger nations – especially Germany – will remain committed to propping up those countries with less will to solve sovereign fiscal problems.

Global political problems tend to be exacerbated by weakening economic times. Regions that have had a destabilizing effect on calm and prosperity – the Middle East, Russia and Afghanistan – should expect tougher economic conditions in 2015. Russia in particular is facing a difficult era with the prospect of lower-than-needed oil prices in the offing. Unlike in most other nations, lower oil prices results in lower consumer spending in Russia, as well as much steeper declines in government revenues. Experts in the Russian economy see $90/barrel oil as the minimum price to keep recession at bay and to balance the budget. Forecasts for oil's price in 2015 are well below that benchmark, however. Given the nature of Vladimir Putin's regime, economic difficulties could well spark additional political moves like the encroachment into the Ukraine. A panic in the financial markets in 2015 could result in those kinds of political crises, whether from Russia, ISIL, the Taliban or from terrorist organizations.

These global problems present a risk for the U. S. economy going forward but the consensus forecast for construction in 2015 is bullish, perhaps because it reflects the stronger recovery in 2014. Construction data at the end of 2014 showed expansion in virtually all segments of the construction industry save the heavy/highway sector. Construction economists see the upward trend continuing and broadening in 2015.

The U.S. Census Bureau of the Department of Commerce announced December 2 that construction spending during October 2014 was estimated at a seasonally adjusted annual rate of $971 billion. October's volume was 1.1 percent higher than September and 3.3 percent higher than October 2013. During the first 10 months of this year, construction spending was 5.8 percent higher than the $800.6 billion spent during the same period in 2013.

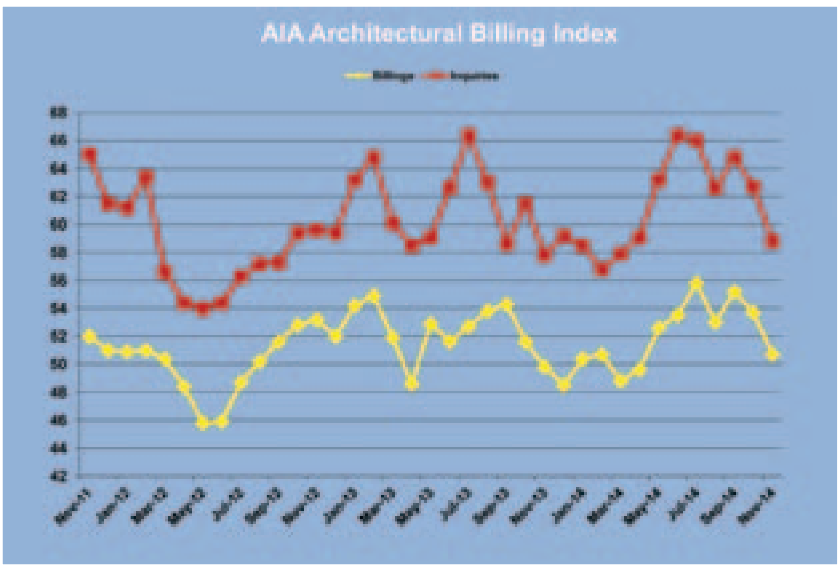
Spending on private construction rose slightly in October compared to September. At $692.4 billion, October's volume of private construction was four percent higher than October 2013. The nonresidential component of private spending grew even faster year-over-year, with construction 6.4 percent higher than in October 2013. Public construction spending climbed to $278.6 billion, up 2.3 percent compared to September, the first increase in public construction since May. Construction of schools grew 2.2 percent and highway spending rose 1.1 percent. Both of these sectors were aided by increases in tax receipts that resulted from higher housing values, increased gas tax revenues and improving state income.

Single-family starts increased 4.2 percent for the month and 15 percent year-over-year. The multifamily category eased, with starts decreasing 15 percent compared to September and 6.8 percent compared to October 2013.

Robert Denk, senior vice president for forecasting for the National Association of Homebuilders, predicted that the economic expansion and job creation would continue to push housing construction higher. The decline in multi-family starts in November will be a trend that brings apartment construction down to a sustainable rate of 350,000 units annually, Denk noted. NAHB estimates that there will be 991,000 total housing units started in 2014 but sees the pent-up demand, move-up buyers and what it calls "decoupling" of Millennials from shared living, as factors driving single-family housing much higher. The NAHB forecast for 2015 is 802,000 single-family starts, a 26 percent increase, and 1.1 million units in 2016.

The October data shows a continuation but slowing of the gap between private and public non-residential spending. Kenneth Simonson, chief economist of The Associated General Contractors of America, expects the trends shown in the October report to be the predominant themes through next year.

"For 2014 as a whole and 2015, private nonresidential spending and multifamily spending should be the strongest segments, followed by single-family construction, with very limited prospects for public construction," Simonson predicts.



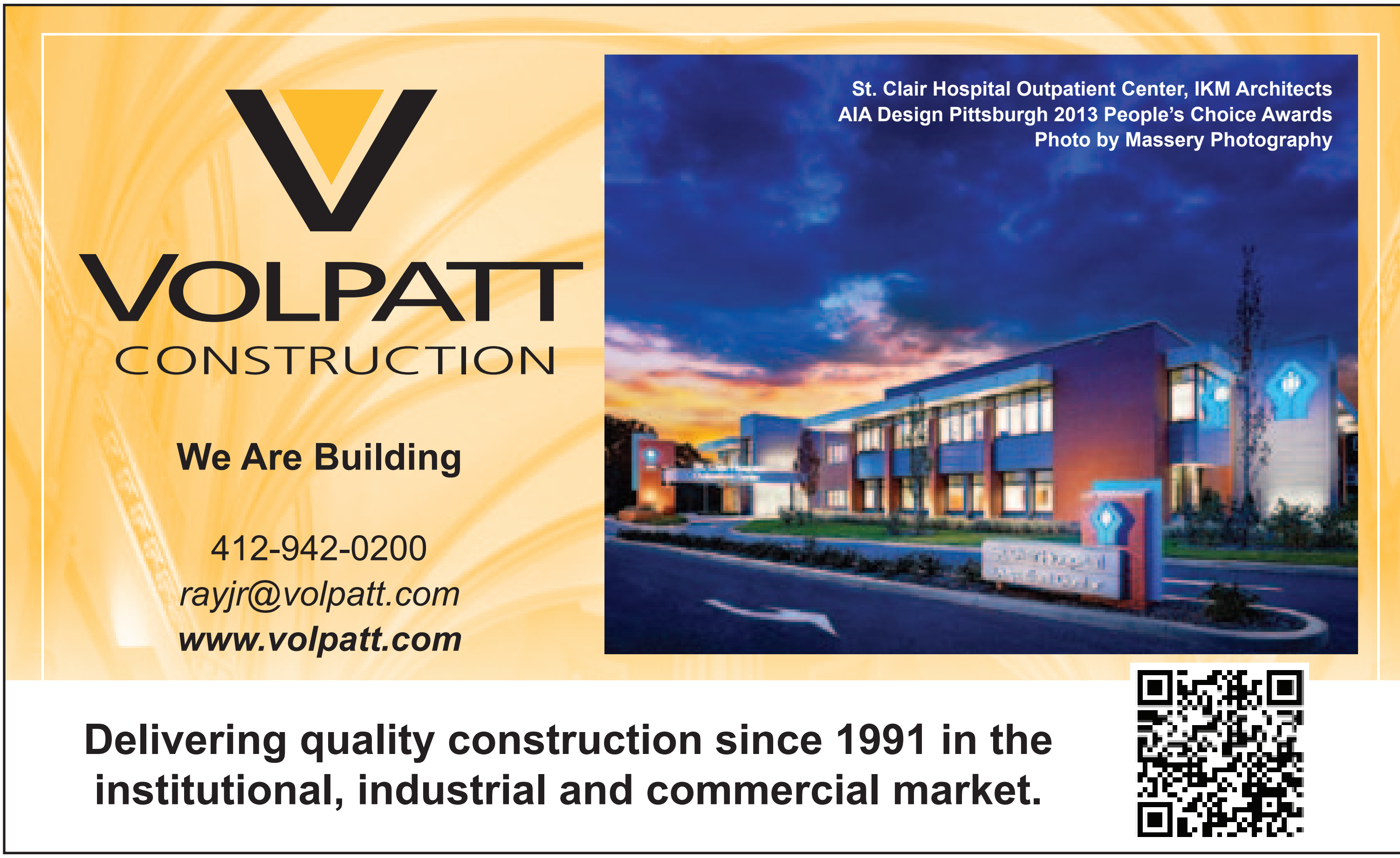
Billings and inquiries at architectural firms have grown steadily since mid-year, supporting forecasts of broad-based expansion for construction in 2015.

Dodge Data & Analytics (formerly McGraw Hill Construction) reported on November 24 that total construction starts were up five percent during the first ten months of 2014, compared to the same period in 2013. Echoing the Census data, Dodge reported that nonresidential building was up 14 percent, residential building up seven percent. Dodge's vice president and economist, Robert Murray, released the company's 2015 Construction Outlook at a November 4 conference and predicted a more broad-based expansion for non-residential construction of nine percent for 2015.

Within Dodge's forecast were very upbeat predictions for the nation's commercial construction sector – up 15 percent – and institutional segment – up nine percent. Dodge also forecasts a nine percent expansion in apartments and a robust 15 percent increase in single-family construction spending, along with an 11 percent rise in single-family units started. The forecast for heavy/highway construction is for a slight decline.

Construction of higher-education facilities will continue to face financial and demographic challenges in 2015. Moody's reported that tuition revenue will be the weakest in a decade in 2015. The Moody's survey of 290 public and private not-for-profit institutions found that 55 percent of the public institutions will keep tuition increases below the rate of inflation, up significantly from the 40 percent that reported last year. Demographic support for higher education is also slipping, with more than 40 percent of schools reporting a decline in enrollment, even though overall enrollment should increase by roughly one percent.

Management consultant FMI, in its 2015 U. S. Construction Markets Overview, estimated that the total volume of construction put-in-place grew by seven percent in 2014 and forecasts another seven percent gain to $1.04 trillion in 2015. FMI highlights several challenges for the construction industry, raising concern for the shortage of funding for infrastructure projects and the workforce competition from the oil and gas industry's growth as two of the biggest issues facing the construction industry. BG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WHAT'S IT COST?

Even as demand for construction heated up throughout 2014, an unexpectedly steep decline in oil prices impacted the cost of nearly all construction inputs and inflation in general. The Bureau of Labor Statistics (BLS) reported on November's inflation on December 12 and the effect of the lower price of oil was reflected throughout the data. But the data covered the time prior to the November 27 OPEC meetings, meaning that another $15 per barrel decrease had occurred by the time of the BLS report.

As of December 15, the price of oil had declined over 45 percent since June. While another 25 percent decline has occurred since the BLS survey, the impact of lower oil prices is easy to see in both the consumer price index (CPI) and in the inputs for construction. Lower oil prices mean lower gas and diesel prices, which brings down the cost of transportation and of the energy used in manufacturing.

The producer price index (PPI) for final demand construction decreased 0.8 percent in November and increased 0.6 percent since November 2013. Final demand includes goods, services and five types of nonresidential buildings that BLS says make up 34 percent of total construction. The overall PPI for new nonresidential building construction climbed 0.1 percent for the month and 2.2 percent since November 2013.

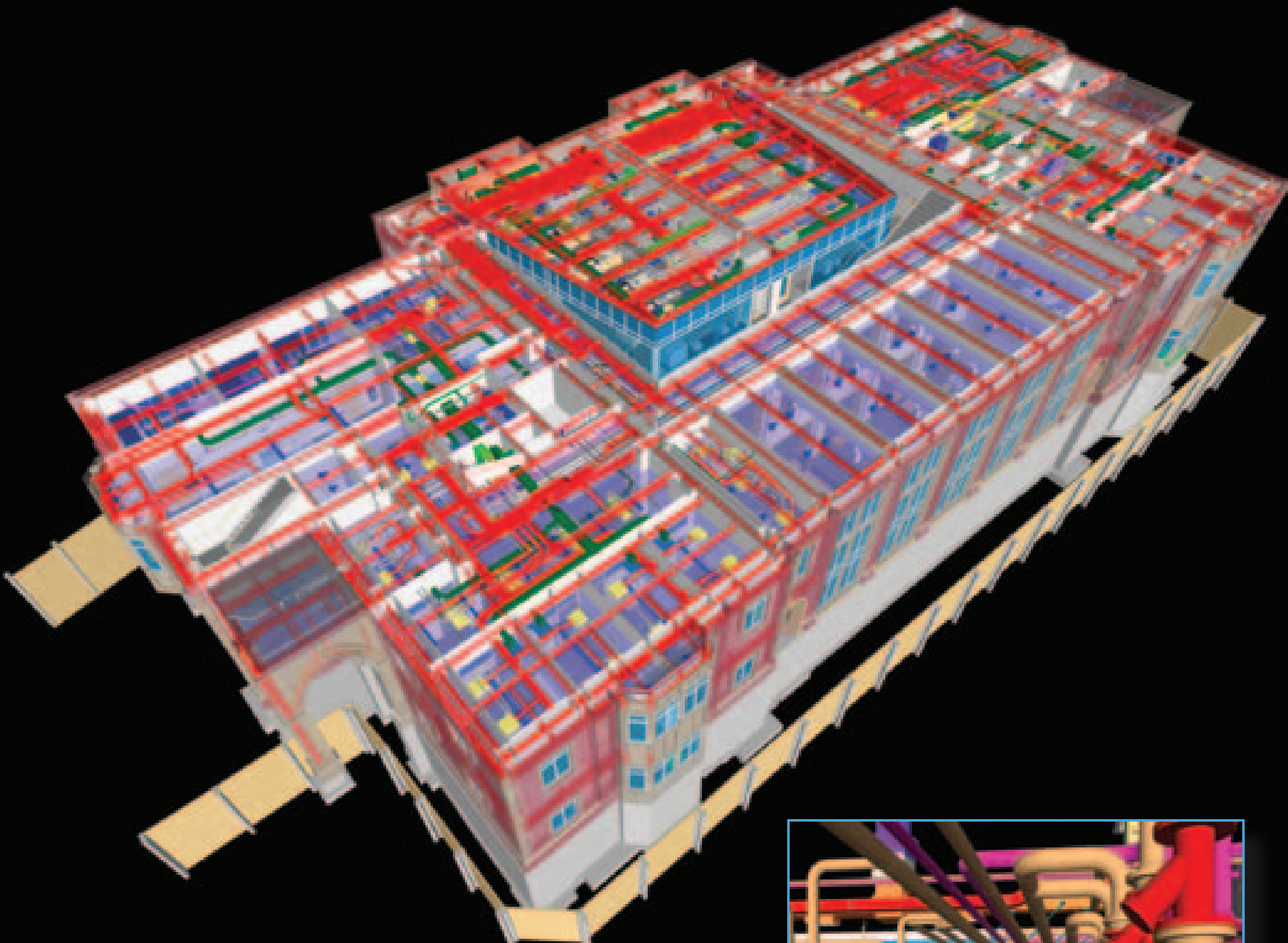
Because the primary driver of the price action is the recent plunge in energy, few materials or products have experienced much notable change due to demand. The higher demand showed up in prices during the first half of 2014 and most categories of construction inputs are still higher than 12 months hence, but those year-over-year increases will be shrinking in coming months if oil stays cheaper. During the past 90-day period only gypsum products and prefabricated metal buildings have experienced price growth of more than one percent and no input has increased by as much as two percent. Two out of three input categories have declined.

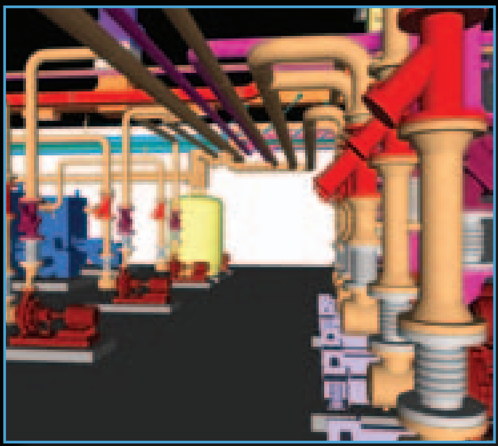
Going into 2015, barring any coordinated effort by OPEC and non-OPEC states to cut production, the lower energy costs should result in year-over-year declines in construction material prices during the first half of the year. Adding to the downward pressure from cheaper oil and gas will be the lower global demand for building products and basic materials. Oil-dependent economies like Russia, Brazil and the Middle East will feel the pinch from lower oil revenues and imbalanced sovereign budgets. There will be no countering forces due to slower growth in China and India and near recession in Europe.

Further expansion of U. S. construction is expected and should put even more upward pressure on wages as construction unemployment drops; but, any wage growth will be less than the decline in product and material prices. BG

PERCENTAGE CHANGES IN COSTS	Nov. 2014 compared to		
	1 mo.	3 mo.	1 yr.
Consumer, Producer & Construction Prices			
Consumer price index (CPI-U)	[illegible]	[illegible]	1.7
Producer price index (PPI) for finished goods	[illegible]	[illegible]	1.4
PPI for final demand construction	[illegible]	[illegible]	0.6
Costs by Construction Types/Subcontractors			
Residential buildings	[illegible]	[illegible]	1.2
New warehouse construction	[illegible]	0.4	2.2
New school construction	0.1	0.6	2.2
New office construction	[illegible]	0.6	2.1
New industrial building construction	0.2	0.6	2.1
New health care building construction	0.1	0.0	1.8
Concrete contractors, nonresidential	0.0	1.1	1.5
Roofing contractors, nonresidential	[illegible]	[illegible]	4.8
Electrical contractors, nonresidential	[illegible]	0.1	1.5
Plumbing contractors, nonresidential	0.2	0.2	2.4
Construction wages and benefits	N/A	1.0	1.4
Architectural services	[illegible]	0.5	2.1
Costs for Specific Construction Inputs			
#2 diesel fuel	[illegible]	[illegible]	[illegible]
Asphalt paving mixtures and blocks	0.0	0.3	2.3
Cement	0.0	0.4	5.9
Concrete products	0.7	0.6	4.3
Brick and structural clay tile	0.2	0.1	1.4
Plastic construction products	[illegible]	0.4	2.4
Gypsum products	0.3	1.3	11.1
Lumber and plywood	[illegible]	[illegible]	4.3
Architectural coatings	[illegible]	[illegible]	0.7
Steel mill products	[illegible]	[illegible]	2.1
Copper and brass mill shapes	0.0	[illegible]	[illegible]
Aluminum mill shapes	0.5	0.5	9.3
Fabricated structural metal	[illegible]	[illegible]	0.2
Prefabricated metal buildings	3.7	1.6	6.9
Iron and steel scrap	[illegible]	[illegible]	[illegible]
Source Bureau of Labor Statistics, Updated December 12, 2014			
Compiled by Ken Simonson, AGC Chief Economist			

Putting Collaboration into Practice





Advocates for integration and collaboration in delivering construction projects find themselves struggling for acceptance in much the same way advocates for green building did less than a decade ago. Like with green building, there are few professionals who are against the idea of a more integrated and collaborative approach to doing construction; in fact, few construction veterans look at the status quo as anything but broken. But, as happens in any human endeavor, good intentions often lead to poor results.

BIM models allow for coordination of multiple trades before field clashes occur. Image courtesy Astorino/Cannon.

More projects are being delivered with both behavioral and contractual integration. The documents and technology exist to complete a construction project with little wasted effort and optimal cooperation. What is keeping a trickle of projects from becoming a tidal wave is a change in attitude.

Construction is fairly characterized as an industry that changes course like an aircraft carrier. Integrated, collaborative project delivery and lean construction have been among the industry's "hot" trends for almost a decade without gaining critical mass. Like a massive ship, the industry's change in course away from traditional project delivery is barely noticeable, but as the middle of the decade approaches it's possible to see a new direction becoming clearer. It's also possible to say that the more things change, the more they stay the same.

Most of the obstacles to collaboration are human rather than technical. It shouldn't be a surprise that where the dial is being moved, progress is coming at the behest of project owners.

"There's a huge amount of waste and rework in construction. We haven't kept pace with manufacturing to lean out the waste in the process," notes Richard Thompson, vice president of facilities and real estate at Allegheny Health Network. "When you put together an integrated solution, you put together a team that works together from the time design gets underway."

Setting the Technical Stage for Collaboration

To improve the process of delivering construction, progress had to come on two fronts, one technical and one behavioral. The major challenges for parties attempting to be more collaborative or integrated was the loss of the benefits of working together on decisions and the legal barriers posed by traditional agreements. Advances have lowered these barriers to integration.

While the technology needed to optimize integration will prove to be the more difficult to develop completely, it was the form of contract for construction that was the more daunting hurdle to overcome initially. Traditional construction agreements are between two parties, developed separately during the life of the project as the parties are revealed. Owners entered into design contracts before architects began design and then separately entered into a construction contract after a contractor was chosen, historically after design was completed. The general contractor then had agreements with subcontractors and so on down the supply chain.

This traditional contractual arrangement put the owner in a position in which he or she was generally not trained to function. As long as the intent of the design was perfectly understood and details for construction were clear, things went smoothly. Alas, construction projects don't go that smoothly and owners found themselves between two parties that had separate interests and separate contracts. Each side had certain leverage, depending upon how far along the project was, but there was an inherent adversarial relationship that the two-party contract inflamed.

Allegheny Health Network's Wexford Wellness Pavilion. Photo by Alexander Denmarsh Photography. Use courtesy of Astorino/Cannon.

In 2007, a group of 20 associations representing engineers, owners and contractors formed the ConsensusDocs Coalition, which created contract forms that enhanced cooperation between parties to a project and ultimately allowed for three-party agreements. ConsensusDocs is now endorsed by 40 organizations. The American Institute of Architects (AIA) was not part of that coalition – the architects' organization was the source for the traditional standard contract form – but in the intervening years AIA has moved to revise its contracts to accommodate integrated projects and developed its own tri-party contract. These forms of agreement removed the highest barrier to collaboration, one that almost codified the adversarial nature of construction administration.

In tri-party contracts, the three parties mutually agree to resolve disputes, establish schedules and budgets, and allocate risk through a management group made up of representatives from each party. What is unique in this tri-party contract is the "safe harbor" provision for decisions made by the management group. All parties agree in advance to indemnify each other from consequences of such mutual decisions. All parties also share in the rewards of those decisions.

The management group sets standards for performance – often times for qualities outside construction – and creates incentives for superior performance. Project accounting is open to all participants. Usually, surveys are created to judge how participants are performing with regard to the clients' staffs or customers, and how the supply chain is being treated. These kinds of shared risk/reward agreements are what move a purely collaborative project to an integrated project delivery (IPD) method.

IPD wasn't developed as part of the innovation of building information modeling (BIM). But the technology that allows all the information about a project to be saved and carried on throughout the project's lifecycle certainly enhances a design/construction process that values sharing experience and expertise. IPD can be employed on a project with hard copy documents only and BIM can be used on a design-bid-build project; however, the benefits of both innovations are diminished if they aren't used together. That's why early adopters of BIM have usually been champions of IPD and vice versa.

BIM developed as a practical technology for designing and documenting the project at about the same time as tri-party contracts were developed. Information modeling was intended to allow for better decision-making but primarily it solved a major problem of the construction process: the lost or wasted productivity as the project information was handed off from stage-to-stage and party-to party. BIM's ability to document and retain the results of decisions – and reflect the impact of those decisions throughout the project – makes it an ideal tool for collaboration. The building's model is part of the agreement and holds information that impacts how all parties will perform during the project.

Software for BIM has struggled with interoperability hurdles that have been overcome systematically as the technology has become more widely adopted. The use of modeling for the next step in integration will require a solution to the current difficulty in moving information back and forth between design and specialty contractor fabrication, a key to optimizing the benefits of using key trade contractors as design assist partners. With Autodesk's acquisition of Technical Sales International, it is hoped that a seamless solution will be developed.

"Transparent interoperability needs to exist at the design assist level, which is where you want to encourage collaboration. Technology is still a hurdle there," explains Mark Dietrick, director of services for Case Technologies, an Autodesk reseller in Carnegie. "Designers are primarily working in Revit but the trade contractors are usually working in other products that give them direct integration with their fabrication shop. Some of the fabrication modeling tools have plug-ins that permit design models to be extracted from Revit but any added value the trade contractor creates can't typically flow back into the model as of yet."

That interoperability between design and fabrication limits the technical integration of the design assist process but as has been proven in the field, integrated project delivery is still possible. Participants who are willing parties to an IPD can make full collaboration work. The agreements and technology permit it; it's the will of the owners, designers and contractors that matter. Of the three, it is the owner that is making the difference.

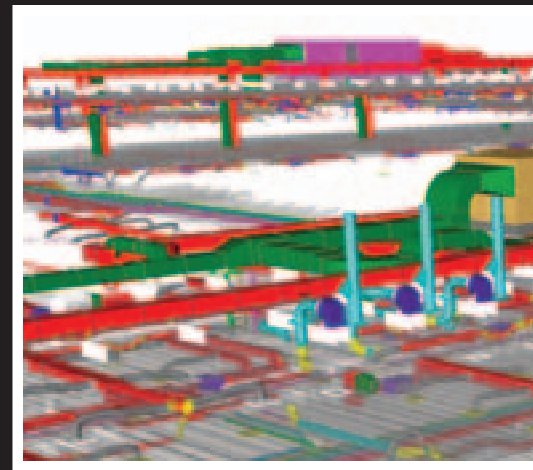
Collaboration in Practice

In September, the Master Builders' Association presented an Owner's Roundtable workshop that focused on the practical application of collaboration. Two projects were presented that employed some of the core principles of integrated delivery and BIM. Both achieved successes that the participants credit to the delivery methods. Both projects have results that quantify the benefits of integration and modeling, although the benefits varied significantly. That variance bears out the importance of a commitment to integration and collaboration from the top down and suggests that project owners need to invest for the project to run smoothest. Ultimately, the lessons learned from the projects suggest that the basis for the successes and failures of the jobs was the non-technical qualities of collaboration.

Allegheny Health Network's (AHN) Wexford Health and Wellness Pavilion on Route 19 in Pine Township was developed during a time of significant transition for the healthcare provider and the Pavilion is a key piece of AHN's strategy to transform how healthcare is delivered. Pittsburgh architect Astorino/Cannon was hired to design the building and to act as the construction manager at risk. An advocate of BIM and alternative delivery systems, the Astorino project team advocated for non-traditional delivery at the outset.

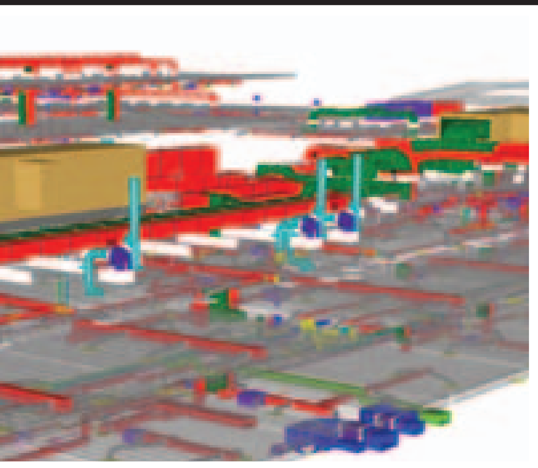
Astorino/Cannon's Chief Compliance Officer, Ron Dellaria, has been involved in American Institute of Architects and Associated General Contractors groups advocating for BIM for most of the past decade. With AHN, Dellaria says that he encountered the prevalent reluctance of owners to adopt IPD in favor of the low bid; however, Astorino was able to get some movement.

"We convinced AHN that we could do 100 percent [design development documents] – which are essentially 50 percent [construction documents] – and use the technology to allow the subtrades to bid the job and then plan the details," Dellaria explains. "We built a guaranteed maximum price (GMP) that included a contingency. Once we released the documents and brought the trade contractors on board, we adjusted the GMP but kept the contingency."



Currently, a team of trade contractors, construction manager, engineers and architect Bostwick Design Partnership are completing the $18 million expansion at the Clinic's Lutheran Hospital.

Astorino/Cannon was confident enough of the GMP after working with the key trade contractors that it convinced AHN to split the contingency with them, essentially ensuring AHN would save half the contingency while assuring the owner that Astorino/Cannon would use the contingency to support the trade contractors as construction proceeded. When construction was completed, half of the contingency was sufficient, even though the project as originally designed may have been accomplished within the original bids.

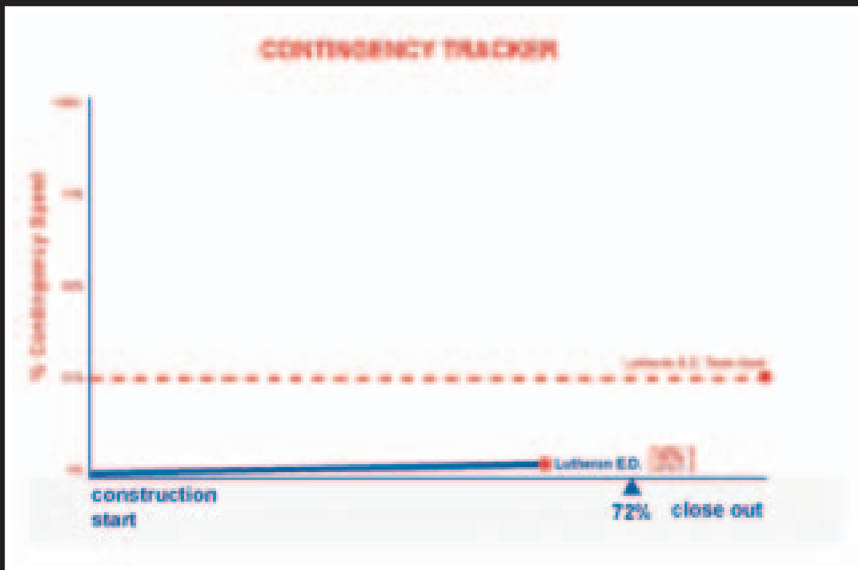


"The owner added to the scope but didn't give us more schedule to complete," recalls Dellaria. "We tapped into the contingency to accelerate other work so the additional scope would not delay completion. We rallied the troops to see where we could push to get things done."

One of the "troops" was interiors contractor Wyatt Inc. Fred Episcopo, Wyatt's president, says the BIM technology allowed them to be leaner and meet the schedule challenge within budget, although he notes that it was difficult to fully collaborate within the context of the delivery system.

"The owner wouldn't let [Ron] collaborate as he wanted. We had to bid from 50 percent documents, get low and then finish the documents," Episcopo says. "For casework and millwork we always do the shop drawings anyway. You do them the way you want to build them and hope it gets through approval as is. Highmark wanted everything in the BIM model, even down to the screws and hardware. You can blow up those details and see every component."

AHN Wellness Pavilion used technology for collaboration, coupled with design assistance from key subcontractors to advance schedule and minimize additional costs from changes and re-work. The commitment to hard bidding the specialty packages meant that the same limitations of a non-collaborative delivery still crept into the project. Specialty contractors were able to perform without significant re-work but issues that were ameliorated in the field could have been



Investment in examination of existing conditions and design assist fees has resulted in the use of just four percent of the project's contingency as construction winds down.

As you hear the participants describe successful integrated projects, it is the relationship dynamics that drive success as much as any other factor. When a committed owner chooses a committed team, the construction process seems to be a more satisfying problem-solving experience.

avoided during design had the subs been assisting with the architects and engineers. This limited collaboration – Dellaria calls it "IPD-ish" – had somewhat limited benefits.

The key missing piece remains trust. "The lack of trust between the parties is still a chasm that is pretty wide," notes Joe Massaro III, CEO of Massaro Corporation, whose company had the general trades contract for the Pavilion. For owners committed to a more collaborative process, that trust now translates to a significant investment during design.

A different owner is most of the way through a project using a different method of delivery with much different results.

Cleveland Clinic began using more collaborative systems of project delivery somewhat in self-defense almost a decade ago, after finding itself well over budget in the early stages of a billion-dollar-plus capital program. After concluding that the design-bid-build model was the culprit, Cleveland Clinic adopted a form of integrated project delivery – called Owner Controlled Team Project Delivery – that gets input from key trade contractors as AHN did, but at the earliest stages of design. What makes OCTDP different is that the trade contractors aren't bidding to get the work but rather are hired to be the best fit for the process.

Currently, a team of trade contractors, construction manager, engineers and architect Bostwick Design Partnership are completing the $18 million expansion at the Clinic's Lutheran Hospital. Instead of using trade contractors to complete and detail design after bidding, Cleveland Clinic invested in a process that uses the contractors' expertise during design. Utilizing BIM, the design-assist contractors solved problems of constructability, budget and field conflict within the design model long before construction began. Moreover, the team invested in field investigation of existing conditions to add more certainty to the design.

This OCTPD team approach wasn't just investing time. The Clinic paid the construction manager and various participants $250,000 in pre-construction fees, in addition to the fees paid to the design team. The investment doesn't necessarily reduce the cost of construction but it helps to get what Robert Bostwick calls "predictable outcomes," a result that is valuable to any owner. In the case of the Lutheran Hospital project, however, that $250,000 investment may have saved as much as $9 million, according to Bostwick's research of historical data on similar projects at the Cleveland Clinic.

"There are two big distinctions between this approach and others. The Clinic approached this project with very specific criteria for choosing the team," explains Bostwick. "First was a predisposition for collaboration, not only the design/engineering team but also the CM and design-assist contractors. The second was a willingness to supplement project delivery with a team development process."

The team development process goes well beyond what seems normal for a construction project. The Clinic established the purpose of the project and asked that the construction team meet with its senior leaders – nurses, administrators, doctors and department heads – early on to reach an understanding of how the business and community goals of the project would be served by the construction team. That's very "outside the box" for construction, but Bostwick and the construction team say it was what focused them throughout the project.

"When you read about successful teams, almost everything is about a sense of purpose," Bostwick says. "When you create a high-level purpose then everyone can understand how they serve that purpose, what their role is."

Bostwick's CFO, Pam Neckar, served as project coach for the Lutheran Hospital job, holding more than 20 non-construction meetings during the project. Neckar says that the meetings ensured that the team understood why the Lutheran project was important to the patients, Cleveland Clinic and the community, and that created the sense of purpose. She also explains that the meetings established the framework within which the team would learn to work.

"If you're going to be successful with IPD, you have to be collaborative to begin with; you have to align with the goals of the project instead of your business," Neckar says. "It takes real commitment to align what drives you with what drives the project. We spent a lot of time on process, what open book really means."

When the team gelled around that sense of purpose, Neckar says that the modus operandi shifted from what the team member owned to what the team member could contribute. "We say all the time that it's not in my scope but I'm the best person to do this," she relates. "You are able to get outcomes through the commitment of the team. It's about getting the right people, about transparency."

AHN's Dick Thompson joined the healthcare system in Summer 2014 after a career in the Army Corps of Engineers and seven years at City of Hope Hospital in Los Angeles. After inheriting a difficult project at City of Hope, Thompson delivered his next major project as an IPD and concurs with Pam Neckar's assessment about the importance of the team.

"Because the subcontractors designed their own work there wasn't an opportunity for something to be missed in a way that required additional compensation," Thompson says. "I got everyone's "A" team. If we identified someone who wasn't a team player, we could do so early enough in the process to get the situation corrected."

As you hear the participants describe successful integrated projects, it is the relationship dynamics that drive success as much as any other factor. When a committed owner chooses a committed team, the construction process seems to be a more satisfying problem-solving experience.

Joe Massaro believes that the change in problem-solving approach to a more collaborative delivery system are apparent to his staff at Penn State, where Massaro CM Services is serving as construction manager on a multi-phase renovation and expansion of Henderson Hall. The first phase of the project was built using a traditional design-bid-build delivery system, as Penn State's Office of Physical Plant was coming to grips with how it would embrace integrated project delivery. The current phase - Health and Human Development (HHD) building - is being delivered in an integrated fashion and Massaro says the result is starkly different.

Photo courtesy Massaro CM Services.

"We're leading full-blown planning sessions with the subs all in one room. The difference is night-and-day from the first phase," he says. "We have the perspective of having done the first phase in the traditional way so we can see how much better the project is running."

Penn State's John Bechtel, assistant director of design and construction at the university, says that as owner, PSU made deliberate changes between the phases. "We intentionally instituted a number of collaborative principles on phase two, the HHD project. Phase I was delivered in a more traditional CM Agency with Multiple Primes process. HHD had the same project delivery method but collaborative principles were embedded into the process to optimize and improve project results," Bechtel explains. "Collaborative principles such as team environment surveys, pull-planning techniques, and implementation of a 'Big Room' during construction were all incorporated to promote better communication and cooperation. The project is not yet complete but we are experiencing improved project results and a more positive team environment."

Kevin Nestor, Massaro's senior project manager who runs the CM Services' office in the State College market, believes that the lessons taken from the first phase – as well as Massaro's evolution in project integration – have led to changes in project management for the HHD job. One of the most significant is among the simplest changes that could have been made.

"One big thing instituted [with HHD] is direct collaboration, meaning collocation of offices. Everyone is contractually obligated to share one office," Nestor explains. "Everything that happens on a daily basis is very transparent. Even though we tried to promote collaboration in phase one, you would have a meeting in the job trailer but then everyone would go back to their own offices and you wouldn't see them for another week.

"Everyone is a friendly person," Nestor continues. "We have our issues but when you are working side-by-side every day we tend to work to solve them first. Some of the people that we thought were going to be the most difficult to work with have become the most collaborative."

Like many of its peers, Penn State experienced mixed results with traditional and even alternative methods of delivery where the parties were in an inherently adversarial relationship. Bechtel says his department was searching for opportunities to road test a different approach, not necessarily with any bias towards project size.

"We feel that a more collaborative method of delivery will reduce project risks, deliver the best solution, and increase the probability for a successful project. In our opinion, collaborative principles can be applied to projects of any size with added value to the project process," he says.

Penn State's commitment to collaborative project delivery has moved beyond the sort of "soft" collaboration to what may be the first contractual IPD project for higher education in the Commonwealth. As 2014 ended, the university was in the process of selecting a team to renovate and expand its Agriculture Engineering Building using IPD-based contracts to bind the parties. Bechtel explains that the project met its needs for an IPD test.

"We were searching for a complex project that would benefit from a fully collaborative environment. [But] we did not want our first IPD project to be in the $100 million range," he says. "The Ag Eng Renovation was perfect: a complex project that would demand an innovative solution, complicated site logistics with the adjacent North Halls project under construction at the same time, and a project with a total project cost below $50 million. With this first IPD project, we are hoping to identify collaborative and lean best practices that we can apply to all projects at PSU regardless of delivery method. We are also excited to have a PSU graduate student connected to the project and, thus, will contribute academic research for this trending delivery model."

The $30 million project – for which Penn State will invest $41 million overall – will have the architect, construction manager and university bound by either ConsensusDocs 300 or AIAC191 agreements. Both of these contract forms are specifically for tri-party IPD agreements, which have several facets that differ dramatically from the traditional two-party contracts.

Penn State feels comfortable trying the new agreements. "We do not expect any legal constraints with the tri-party agreement. I am sure the contract negotiation will be a learning experience for the entire team but we are confident that the selected IPD team will cooperate fully with the IPD principles established in the proposed agreement," notes Bechtel.

Making Collaboration the Norm

Even owners that support integrated project delivery moderate on when an IPD or collaborative delivery system is appropriate. The Cleveland Clinic, for example, withdrew the opportunity for its team to increase profits by performing better on the Lutheran Hospital Emergency Department. The Clinic reasoned that it would be able to get collaboration from the team without having to pay an incentive. That kind of rationalization may have been a shrewd evaluation of the market, but it also conveys a message that all sharing isn't equal.

Penn State's Health & Human Development Building.

Architects and contractors have complained about the dysfunction of the industry for decades. The competitive nature of the business has imbalanced risk and reward but the competitors are not going to be the ones in a position to tilt the scales back to balance. That impetus will have to come from owners who are just as frustrated.

"There was a little bit of a tipping point when construction managers began embracing and then requiring BIM, but there hasn't been that anticipated wave of higher levels of collaboration to follow," observes Mark Dietrick. When asked what he thought was holding back large-scale adoption of integration, Mark Dietrick pointed to the top of the food chain. "I think it's the fear owners have of giving up the bid process or investing more upfront for more integration for the hope of a more efficient process. They think they need that to protect themselves from overpaying. It's a focus on that first cost – not unlike with LEED – instead of life cycle cost."

Dietrick advocates for owners to focus on the process and the savings that can be accrued from an integrated planning phase, but doesn't expect to see much change until savings can be proven. "The industry is building up evidence. Owners will start to see the overall cost reduction over time so that they are not as concerned about first cost."

Dick Thompson favors getting architects and contractors together early when there are opportunities to avoid problems. "I like design/build on renovations because you don't know what's there. If the architect draws one thing and the contractor finds another it puts the owner in the position of adjudicating the next step," he says. "The kinds of things that make a big difference in cost aren't able to be implemented at that stage of the process. There is more opportunity to save costs up front than can be obtained trying to save a few bucks a square foot in paint."

Robert Bostwick has been practicing architecture for more than three decades. His embrace of collaboration goes to issues that are as much personal as professional.

"It's one of the more exciting developments in our business. Without real effort to find different approaches, the industry will continue to suffer the lost time and productivity that we experience today," he observes. "Perhaps the best thing is that [collaboration] connects designer and builders again. It's tremendously exciting for my staff to sit across the table from contractors to try to solve design issues instead of disputes." BG

PASSAVANT SENIOR LIVING

Abundant Life Center

Construction superintendents are charged with making a project happen at the grass roots level. A superintendent is the person charged with taking the critical path down to its component tasks and making sure that the construction team understands what is expected. The job is a key communications point for the project. When dck worldwide Assistant Superintendent Bryan Hockenberry speaks about the challenges of the Passavant Senior Living Center, however, his conversation goes to the residents before he talks of construction.

"One of the challenges of phase one was that we had to get Passavant's residents throughout the community by road traffic and foot traffic. There are residents who use [carts] to get around and we had to build temporary sidewalks and roads for them," Hockenberry says. "It was rough on the residents at first because some were used to going certain ways to get to certain buildings and we had to reroute them. Demolition of the houses was also part of phase one. That was tough because some of the residents had been there for years and we were telling them that they had to move. It was a challenge for them."

The concern that Hockenberry showed for the residents of the Passavant community was an echo of the approach that dck took as it pursued the project in 2012. As it presented its technical capabilities and resume, dck's team also tried to project how it would protect Lutheran Senior Life's interests.

David Tobasco, dck's vice president of construction, says the team pitching the project to Lutheran Senior Life tried to focus in on how they would make the client comfortable handling the disruptions that were planned. "I said to the client, 'you can pick any contractor, but if you were doing this in your own home, you couldn't pick a contractor that you would feel as comfortable as you would with this team. You could hand them the keys, and you would feel comfortable knowing that when you came back, your house would be in better shape than when you left it."

That approach worked, according to Rocco Mastrangelo, corporate director of construction and facility management for Lutheran Senior Life. "There was a feeling of comfort that came right from the superintendent interviewed for the project," Mastrangelo recalls. "He was very disciplined in the way he presented himself. I felt good about his leadership ability. We also visited their offices and were confident of the team that would estimate the GMP and deliver the project."

"We went through an extensive evaluation of contractors and thought dck was the best fit for both their personnel on site and with our culture," explains Laura Roy, executive director of the Passavant Community for Lutheran Senior Life. "We went through an interview process and narrowed it down to the top two contractors and then did additional interviews.

We had two board members who worked in the construction industry [George Ehringer and Laura Deklewa] and they helped us with questions for the contractors. At the end, we got a sense that dck was a good fit."

Having a good fit was going to be important to the success of a project that would help redefine the residential character of a Lutheran mission that was a century old. The Passavant campus developed over the decades into a full continuum of care community, with a mix of living arrangements. The Abundant Life Center is the keystone of the campus but there had been an ongoing process to update the physical plant. Lutheran Senior Life always had the philosophy of abundant life and that meant providing the opportunity to do a variety of activities after retirement. The Passavant campus had, in fact, been ahead of the trend by creating a "Main Street" within its central building in the 1980s, providing a gathering place for its residents from the outlying cottages. That concept was on the covers of national magazines at the time, but by the new century, Lutheran Senior Life saw the facility as too dated to serve its needs. Planning began for a new building.

"The project was part of a campus repositioning effort," notes Roy. "In order to stay competitive and relevant in the market for elderly residents we needed to reposition the community."

Photo by Jim Schafer Photography.

Photos by Jim Schafer Photography.

"We wanted to provide an environment that is more life-affirming for the elderly living here and make sure that we had the right complement of living units to health-care beds," Roy says. "Plus, we needed to create a more efficient and sustainable environment. As you can imagine, a 100-year-old building is not efficient."

Founding partner Mike Hull explains that the planning was different than working with a blank site. "The complexity came from developing on a fully-developed site," Hull says. "It was going to involve the demolition of occupied cottages. And it was complex working with Zelienople from a zoning perspective because the campus is integrated with the surrounding neighborhood. The client was very careful to be a good neighbor."

Roy says that repositioning encompassed a number of facets of living and a re-thinking of the built environment at Passavant. The program that was developed during the downturn was a continuation of an effort to build more independent residential units from 2004 through 2009. During the downturn, when demand for retirement living declined as retirees couldn't sell their homes, Lutheran Senior Life asked its architect, Noelker and Hull, to master plan a new building that would replace its oldest facilities with something up-to-date.

As part of the master plan, the architect decided to use the Abundant Life Center project as an opportunity to re-align the streets within the campus with those in Zelienople that surround it. The program called for the demolition of 38 occupied independent living cottages and a 147,000 square foot main building. To prepare, Lutheran Senior Life began leaving cottages vacant after residents moved for a couple of years. Replacing those residences would be a 224,000 square foot, multi-faceted building

that contained 34 assisted living apartments and a dementia neighborhood, 20 independent living apartments with enclosed parking, and a 102-bed skilled nursing facility arranged in a "household" concept. Once the Abundant Life Center was completed, the plan called for 10 new single-family homes to be built on the street front that adjoins the town of Zelienople, knitting the campus into the community.

"The repositioning also represented a culture change, a move away from an institutional building and towards a home environment," says Hull. "Skilled nursing was downsized from 155 to 108 beds. We created a series of neighborhoods within the building, two per floor grouped around country kitchens and common space for that neighborhood." Hull explains that the physical change reflected a shift in the standard of care. "The old building was like a hospital. The thinking at the time was that you treated residents like patients. That's not the thinking now."

Photo by Jim Schafer Photography.

Beyond the residential units, the $43 million Abundant Life Center included a community center, fitness center, pool, clinic, physical therapy, adult day care, dining and other support areas. The heart of the new building was the Main Street. Residents in the cottages and independent living have access to the Main Street, which has an ice cream shop, library, restaurants, game room, gift shop and other amenities.

The ornamental iron signs were fabricated by Bill Fugate, a Passavant resident. Photo by Jim Schafer Photography.

Residents in the cottages and independent living have access to the Main Street, which has an ice cream shop, library, restaurants, game room, gift shop and other amenities.

Before this new center of the Passavant campus could open for its residents, there was a considerable amount of work to be done. When dck was brought into the project, it was responsible for pre-construction services, the most critical of which was bringing the project into the budget that Lutheran Senior Life had for the building. There was a significant amount of value engineering done and then a guaranteed maximum price (GMP) was developed. Getting to a GMP that could become dck's contract took months and with winter approaching, the team decided to rework the phasing, getting on with the site work while making the final numbers work.

PROJECT TEAM

dck Worldwide	*Construction Manager*
Lutheran Senior Life	*Owner*
Noelker and Hull	*Architect*
Renick Brothers	*HVAC Contractor*
Ryco Plumbing Inc.	*Plumbing/Fire Protection Contractor*
Canova Electric	*Electrical Contractor*
Kusler Masonry	*Masonry Contractor*
Modany Falcone	*Concrete Contractor*
Peter J. Caruso & Sons Inc.	*Paving Contractor*
T. D. Patrinos Painting & Contracting	*Drywall/Painting Contractor*
Marous Brothers Construction	*Roofing/Siding Contractor*
Montgomery Truss & Panel Inc.	*Roof Trusses*
DeGol Flooring	*Flooring Contractor*
Aqua Pool Inc.	*Swimming Pool Contractor*

Phase one included underground detention – including a 72-inch pipe for the detention tanks – construction of two new roads and a retention pond, and backfeeding power and data. During the excavation, dck's crews encountered the first major challenge of the project.

Excavation for the project was extended because the soils were found to have fatty clays – soils with high clay plasticity – and had to bring in engineered fill to undercut and replace the poor soil. The undercut was six feet on one end of the building and 11 feet at the other. The operation created a massive dirt-moving exercise involving about 15 trucks daily. "We had something like 100-120 trips going every day to move the dirt," recalls Hockenberry.

The new Abundant Life Center is a three-story building with a pre-fabricated structural wall system from Infinity Structures. The walls are fabricated of metal studs and engineered bracing that is assembled in panels off site and installed in sections. The construction allows more ceiling height to be used for the HVAC, plumbing and electrical chases.

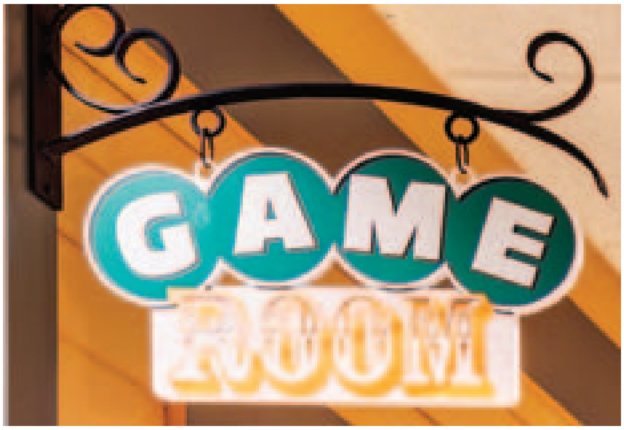
As the demolition of the existing main building approached, there was concern by Lutheran Senior Life about the loss of the fitness center for its residents. dck offered a phasing solution.

"Between Passavant and dck, we didn't know what to do about their fitness center. At one point they were going to rent trailers. Then they were going to bus the residents off campus," remembers Hockenberry. "There was a separate new maintenance building that was going to be built in phase three, at the end of the project but we put a rush on getting that building done early. We essentially turned a six-stall garage into a fitness center. That was their fitness center until they opened the new building."

One portion of the new center presented several interesting twists. The chapel attracted significant donors who altered the plan for construction. A major gift was given by someone who brought in her own architect to change the interiors, most of which was in place. Another donor made a gift to pay for the construction of a new steeple, although the plan for the chapel was to reuse the steeple from the existing chapel. dck salvaged the carillon from the old steeple so that the residents could listen to the same chimes and bells as they were accustomed to hearing. Bryan Hockenberry was directly involved in that relocation and got to experience those bells first-hand.

"I was actually up in the steeple removing the carillon and asked when the bells were set to go off," he laughs. "They said we had about a half-hour but I asked 'so why is this thing buzzing?' The chimes went off right then and I had to get out of there very quickly."

The chapel was also the site of one of the favorite aspects of the job for the dck team. "They took the trees that were cut down for the project, sent them to a saw mill and cut them up into boards and dried them. There was a company that came in and built the chapel furniture, the altar and the baptismal font using the wood from all the trees on the site," says Hockenberry.



Construction of the Abundant Life Center took more than two years, with the final group of residents moving in early November. Passavant's residents remained engaged and in the loop throughout the project. One resident, Bill Fugate, operates a blacksmith shop as a hobby and made the ornamental iron signs. Because the campus remained fully operational, dck made sure it communicated regularly with the residents.

"One of the main points of our interview when we got the job was that we were going to take extra care of the residents," explains J. David Jacob, project engineer for dck. "So we developed disruption schedules to be able to give the owner an idea when the disruptions were going to happen so they could give the residents enough notice that they could plan their day around the disruption. That was one way we were able to help the community know what was going on."

dck also included information about the schedule in a regular column in Passavant's bi-weekly newsletter, Hard Hat Headlines. It was another way to keep them informed about disruptions but Jacob says it also acted as an activity program of sorts.

"A lot of these guys would come out in their [carts] and watch what was going on. It was entertainment for them," Jacob says. "We found out a lot of them were engineers or construction workers themselves."

That engagement and communication with Passavant's residents was the follow through on the claim Dave Tobasco made during the interview process.

"All the way through the project, even with any cost issues and delays, we always showed the client that he was first and everything was to make sure that at the end of the day, the client was satisfied," says Tobasco. "The bricks and the mortars are there, and it is a beautiful, quality facility, but mainly we delivered on our promise of client satisfaction."

Count Rocco Mastrangelo as one of those who are satisfied with the final result and the construction process that got it there.

"We're very pleased with the building. There's a lot of technology in this and a lot of detail," he says. "And it was a good learning experience too. dck used an Infinity wall system, which I had never worked with before."

"I think the architects did exceptional work with the design, the detail work. It's just a beautiful building," concludes Roy. "But what I like most is the life that is going on here. To see the residents using the facilities and enjoying life there, that was the purpose of the work that went into it." BG

A. J. Vater & Company Inc.

Dan Vater and his cousins – Bob Klink and brothers Andy and Mark Vater – have roughly a century between them working at painting and wallcovering specialty contractor A. J. Vater & Company. Dan jokes that the next generation can take the reins any time they want, but says his generation isn't going anywhere soon.

"We don't have a machine out back making widgets. We're not turning out 5,000 widgets a day so that we can sit back and count the money we make on each one," Dan says. "We're salesman. We're project managers. We're billing. We're estimating. The service is what gets us separated from our competition."

The current generation of the Vater family at A. J. Vater is (from left) Bob Klink, Andy Vater, Mark Vater and Dan Vater.

The third generation business was started in 1928 by Adam or A. J. Vater, who was joined about one month later by his brother Franz Joseph or Frank. The company started painting houses a year before the stock market crash. The story of why the brothers took up painting has been lost through the years – neither was a painter by trade – but Mark Vater has an inkling why his half of the family joined in.

"I think my grandfather got into it because 1928 was when my dad was born. Adam had started the company and Frank needed a job," Mark jokes. "Then the crash came not much longer after that."

A. J. Vater & Company survived the long Great Depression and began to prosper. The family business eventually grew into commercial buildings and what Andy Vater calls "oddball" work – sandblasting and painting railroad cars for example – prior to World War II, when the company signed agreements with local unions. Although there were plenty of industrial buildings available to paint during the next 30 years or so, A. J. Vater's bread-and-butter business was then what it is today – painting offices, banks, churches and other commercial buildings.

After the war ended, another generation of Vaters was involved. Francis – who is Andy's and Mark's father – and A. J.'s sons Norbert and Fred – who is Dan's father and Bob's uncle – managed the company into the late 1980s and early 1990s. During the stewardship of the second generation Vater Hardware was developed as a diversification strategy and grew to 13 different locations.

Dan got involved as a young man in the hardware business, which his father managed for the company. "I worked in the stores, even as a kid bagging bolts. When I was older I moved around to different parts of the hardware business," recalls Dan. "My dad basically ran the hardware division and I thought I might follow him into that business. That was my dad's idea too but the circumstances changed and the big boxes came to town. They took the mom-and-pop hardware store, which we were, and pushed them out of business."

It was decided to close the hardware division, selling some of the stores and shutting the doors on the rest. "I was just coming out of college at the time [in 1982] and we probably had two or three stores left," Dan says. "They said they wanted me to work in the painting business to get familiar with that side of things. The next thing you know the stores are gone. That's how I got into the painting business," he laughs.

Mark also spent his weekends and summers working at the hardware store in Crafton-Ingram. He recalls those times as fun for the family. "We were the ones who were doing the inventory at the end of the year, using tally sheets and the old adding machines. It was fun though, because it was a way to get together with all the cousins. We were the labor for the inventory."

"My dad was the bookkeeper here, the controller. That was my training too but he said that 'we only need one person for that job and I'm it' and he still had 20 years to go," Mark jokes. "I worked for a newspaper down in Donaldson's Crossroads as controller for about 10 years and then when my father decided he was ready to retire in 1995, I came on board."

Andy also started out in the hardware side of the business and did a couple summers painting during college and then after graduation joined the company learning the estimating and project management of the trade.

Bob Klink was not a Pittsburgher, spending his formative years in Illinois. He attended college for a year, studying construction management, but decided that college life wasn't for him. He had worked building houses during high school and enjoyed construction, so when he was contemplating his next move in 1982 he thought of his mother's family business. "I called my uncles and asked if they would give me a shot. The next thing I knew I was packing my car and moving to Pittsburgh," Klink relates.

When Dan and Bob came into the company, it basically just serviced the Western PA market. By 1991, the company started to look at work in West Virginia. "At that point I felt we had farmed Western PA as much as we could and so we needed a bigger piece of farm land. I went down to West Virginia and started to try to pick up work down there. We landed one job down there – Mountainview Rehab – and by the time that job finished up we had five or six others on the books. We just kept spinning from there."

Klink was working in Pittsburgh but his parents had once lived in West Virginia and when A. J. Vater began landing work in the state Klink accepted the opportunity to represent the company there. "Bob was instrumental in making us successful in West Virginia," says Dan. "West Virginia has seven local unions and we hire exclusively out of those unions. We use 100 percent West Virginia labor there. Over the 25 years we've developed our own little shops throughout the state. We've had a good run in West Virginia with Bob in place there."

The move into West Virginia helped diversify the business in the same way the hardware stores had a generation earlier. A. J. Vater's business had doubled since 1995, and has stayed at higher levels even during downturns. The expansion grew the business volume and helped even out the volatility in the market from year-to-year.

"When we went there, Pittsburgh was the dog and West Virginia was the tail but we've had some years where the tail was wagging the dog," says Mark.

Dan Vater tends to simplify the explanation of the business's success. "We come to work each day and do what we do. We bid the work that is out there to bid but we can't force people to paint buildings. We take what is available to us and work it as hard as we can to acquire it and then finish it. We have a reputation that we have built over the years so we've stayed with our good contractors and our good contractors have stayed with us through the tough years."

"We seem to come up with that one key job that makes that year work," says Mark.

A. J. Vater has a payroll of about 100 employees, depending on its field needs in a given year. The main office in Pittsburgh handles all the estimating and project management and it maintains a small warehouse in Clarksburg, WV. In addition to Western PA, the company works throughout the state of West Virginia and uses the locations to serve the adjacent markets in Ohio, Kentucky and Maryland. "For the most part we're staying within that boundary now, although we'll go anywhere with one of our regular customers," says Andy, who runs the Pittsburgh operation.

The Vaters' low-key approach may help explain how they manage the ups and downs that construction can give a business. And as Dan Vater says, none of them is looking for the executive work style.

"It's funny but over 32 years I've never walked into the office here and said boy I don't have anything to do today," laughs Dan. "You grind away on the bad years as well as you do in the good years and you hope it pays off. It is a life-long pursuit. You can't get rich on one job, in one day and turn your back. You build relationships that last your whole life."

Dan's stepson Ryan is now the fourth generation in the business and both Andy and Mark have sons interested. The Vaters know full well the odds of survival for multi-generational businesses, but also feel like they have learned one of the secrets.

"I think the longevity of the family business is because the people in the business have worked the business. We haven't had somebody who just sits to the side and says I'm in the family and I get a paycheck because it's my right," notes Dan. "That's been the key in the survival of the three generations to this point. The people that have come on board have worked hard and been smart enough to see the potholes and avoid them. We hope that continues into the next generation." BG

Company Facts

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What Do These Financial Statements Mean?

By Todd J. Lucas, CPA

Whether it's commercial or heavy highway or specialty, no one can dispute that a successful contractor knows its business and industry inside and outside. However, just as important is knowing the numbers behind your business and what those numbers mean.

Often, business owners want to know which financial ratios matter when evaluating their performance and more importantly, what do these ratios mean and how do these ratios compare to other like contractors. Likewise, project owners are interested in financial ratios when comparing contractors for awarding projects.

Through a process called benchmarking, companies can compare their financial results to others in the same field. The first step in the benchmarking process is to determine the appropriate peer group. This can be based on size of the company (in terms of revenue), industry segment (commercial, residential, heavy highway, etc.) and/or geographic area.

Once you have determined the appropriate peer group, the next step is to identify key performance indicators (KPIs) which will be used to measure performance. KPIs are not only useful in gauging your company's financial performance, but can be beneficial in making informed business decisions. While there are many different ratios to utilize, primarily all ratios can be grouped into one of four categories: liquidity (or solvency), profitability, leverage and efficiency ratios.

- Liquidity ratios are used to measure a company's ability to meet its short-term obligations.
- Profitability ratios measure a company's ability to generate earnings compared to its expenses during a specific period of time.
- Leverage ratios measure a company's method of financing or its ability to meet financial obligations.
- Efficiency ratios measure how well a company utilizes its assets and liabilities internally.

Here are a few common benchmarking ratios from the aforementioned categories. Included is a description of what the ratio represents, what a recommended or acceptable score is and how the ratio is calculated.

Liquidity Ratios

<u>Current ratio</u>

Current ratio estimates a company's ability to meet its short-term obligations (current liabilities) using its current assets. The formula for calculating current ratio is

Current Assets/Current Liabilities

The higher the ratio, the greater a company's ability to repay its short-term obligations. As a general rule, a minimum recommended current ratio is 1.0 (or 1.0 to 1.0).

<u>Quick ratio</u>

Quick ratio is a measure of a company's short-term liquidity. The quick ratio is useful in determining a company's ability to meet its short-term obligation using its most liquid assets (i.e., cash, investments and contract receivables). The formula for calculating quick ratio is:

Cash and Cash Equivalents + Short-Term Investments + Contract Receivables/Current Liabilities

As with the current ratio, the higher the ratio, the greater a company's ability to repay its short-term obligations. A quick ratio of 1.0 (or 1.0 to 1.0) is generally considered to be a liquid position.

Profitability Ratios

<u>Return on Equity</u>

Return on equity is the amount of net income generated in relation to the shareholders' equity (or amount invested by owners) of a company. Usually expressed as a percentage, return on equity is calculated as follows:

Net Income/Shareholder's Equity

Typically, the higher the return on equity percentage, the better. While a high percentage may indicate a profitable company, it may also be an indicator that the company is significantly undercapitalized.

<u>Gross Margin</u>

Usually expressed as a percentage, gross margin indicates how much of every sales dollar is retained in earnings. While gross margin can vary greatly based on the type of work performed, the better you can control costs and therefore increase gross margin, the greater advantage you will have over your competitors. Gross margin percentage is calculated as follows:

Gross Margin/Revenue

Leverage Ratios

Debt to Equity

Debt to equity is a measure of a company's financial leverage and indicates how much of a company's equity and debt are used to support its assets and is calculated as follows:

Total Liabilities/Shareholders Equity

A debt to equity ratio of 3 or less is typically considered acceptable.

Equity to General and Administrative Expenses

Equity to general and administrative expenses is a measure of the relationship between overhead to equity (or net worth). Ideally, these amounts would grow in unison with each other. As the company grows and becomes more profitable, it takes on more overhead. Similarly, if a company takes on more overhead, it expects to see greater results. However, this is often not the case. Equity to general and administrative expenses is calculated as follows:

Shareholder's Equity/General and Administrative Expenses

Efficiency Ratios

Days in Accounts Receivable

Cash is extremely important to any business and maybe even more so in the construction industry. Days in accounts receivable measures the number of days needed to collect accounts receivable and is calculated as follows:

(Accounts Receivable - Allowance for Doubtful Accounts) x 360/Revenue

Days in accounts receivable should be 60 days or less. If the number of days is greater than 60, this could put a significant drain on cash flows. Retainage is excluded from the calculation.

Days in Accounts Payable

Days in accounts payable is an indication of how quickly payables are liquidated. Days in accounts payable should be viewed in conjunction with days in accounts receivable. If days in accounts payable is significantly lower than days in accounts receivable, cash flow may be adversely impacted. Generally, this ratio should be 45 days or less, but should also be viewed against the repayment terms of your vendors. Days in accounts payable (excluding retainage) is calculated as follows:

Trade Accounts Payable x 360/Total Costs

Companies can utilize financial ratios in one of two ways. First, the ratios can be used as a tool to measure a company's improvement over time against past results. The second way is to compare your company's results with industry benchmarks as a way to determine if you are operating as effectively and efficiency as your competitors. The former is often more beneficial than comparison against industry peers.

Industry benchmarks can be useful in establishing an initial comparison, but it is more important to understand what these various financial ratios say about your company and what you can do to improve the results. Comparisons of financial ratios cannot simply be viewed over a one-year or two-year period. Instead, this information needs to be viewed over an extended period (ideally two to five years) to allow for better correlation of these indicators to performance of the company. This helps to better identify one-time events versus a potential trend. Timely and accurate recordkeeping is essential as you begin the benchmarking process. The information utilized should be reliable and available to allow for a more informed decision.

As previously discussed, using financial ratios as a way of measuring improvement over time can often be most beneficial. Why, you may ask? Unfortunately, just looking at the financial ratios of your peer group doesn't tell the entire story. Some things you may not be able to glean from indictors alone are: size of the company, cost structure, stage of company (growing company versus a mature company). Additionally, it can be difficult to even obtain benchmarking data.

Many of these same ratios are utilized by banks and bonding companies when determining how much credit or bonding capacity to give contractors. Banks and bonding companies may be able to provide you with some industry averages to assist in developing your benchmarks. Your CPA firm may be able to help as well.

Now that you know some key performance indicators, you can begin to develop and align your company's goals accordingly. These financial ratios may identify strengths and weaknesses of your company. Your company goals should be designed to maximize the ratios you identify as being important, and doing so might allow you to increase your borrowings with the bank or your bonding capacity with the surety.

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Management Perspective

Seven Symptoms of Bad Meetings and What You Can Do About Them

By Joel D. Levitt

The door to the meeting room opens and it's the person who called the meeting, running 10 minutes late because the previous meeting ended late and he had to stop by his office and pick up some notes to remind him of what this meeting was about. The folks already in the room are discussing last night's game and wondering how long the meeting is going to last. Only one person remembers getting the notes from the last meeting. And he's the only one that has a copy of the report they're supposed to discuss.

Does this sound or feel familiar? You're not alone. One topic that everyone can agree on is this: meetings are often a waste of time and money. Scary meeting statistics abound. Software company Atlassian's infographic states that U.S. businesses waste $37 billion a year. Some of that meeting time may have been wasted in your organization. What is strange is why this situation isn't on the top of anyone's list to get fixed. If we are wasting billions, why don't corporations make the effort to fix the problem? Perhaps it boils down to a lack of accountability. But this is something that is entirely within our control. Here are some symptoms of bad meetings and what you can do to fix them.

1. Your meetings ramble on without a clear purpose. If there's an agenda, no one follows it.

Good meeting practice says that a specific agenda will almost always reduce the time wasted in a meeting. A poll of 471 management leaders noted that 90 percent of those polled attributed the failure of most meetings to a lack of advanced planning and organization. So be sure to send out an agenda before the meeting. Review the agenda at the beginning of the meeting and gain agreement to follow it. It's also important to empower people to point out when the meeting veers off the agenda. That way everyone can share the responsibility to keep things on track.

2. People are doing their own thing during the meeting – texting, talking on the phone, responding to email, carrying on unrelated conversations.

One way to avoid this is to establish ground rules that everyone agrees on before the meeting begins. These rules include removing temptation by setting limits on texting, email and phone conversations, and requiring people to listen without interrupting. Even if people have agreed in advance to these rules, they may need to be reminded of the ground rules at the beginning of the meeting or during the meeting itself if the rule-breaking is particularly egregious. Such reminding may be done by fellow members or by the meeting leader if there is one.

3. People show up who are not prepared. They haven't read the report, document or spreadsheet that the meeting was about or they have not done the research they promised to do.

A well-run organization holds staff members accountable for doing their jobs and keeping their promises. But real life often falls short of how we know we should operate. Holding people accountable should be part of any set of ground rules for meetings. When you distribute the agenda in advance, state clearly the preparation that is expected of each member who will participate. Even when you reiterate expectations, there may still be people who don't think they are the people who are supposed to be prepared. In a separate setting, the meeting leader or their manager needs to state the obvious:

Meetings are places where people report on their work, share information, etc. When members fail to do what they promised, they are being disrespectful of other people's time – those who came to the meeting in order to participate and learn what progress had been made. Not only are they being rude to coworkers – they are also creating actual economic waste of organizational resources.

4. There is no closure for decision-making. Decisions are discussed but not decided. There is no agreement to support collective decisions once they are made and people continue to fight them, disavow them or badmouth them afterwards.

A good business process gets essential activities done with a minimum of waste. A good meeting process requires decisions or a decision that the topic be continued to the next meeting. Create the expectation that a decision will be made during the meeting and drive for consensus. If a decision still can't be made, the decision may need to be kicked upstairs or assigned to a sub-group. Then, after everyone has their say and decisions are made, the decision needs to be supported by the entire group, even if some disagree. Otherwise the disagreements move underground and undermine the workings of all. There is one special exception: if the decision is illegal, immoral or dangerous. In such cases, dissent may be healthier for the organization in the long run than cooperating in the short run with bad decisions.

5. Meetings are dominated by a few talkers (not necessarily the leader) or there are knowledgeable people who never volunteer to speak up.

Facilitation can improve both the process and the outcome of meetings. According to an article in the Fall 2006 issue of The Facilitator, using a skilled meeting facilitator increases the productivity of a project by 25%. Of course the magazine may have a bias, but having someone with training in meeting facilitation has the potential to improve most things. If that's not an option, help the meeting leader develop some basic meeting facilitation skills that will help even out participation.

6. Meetings start and end late. Some people come late or leave before the end.

Timeliness is a matter of integrity. Here we are using the word "integrity" in the sense of being unimpaired or sound. Consider the integrity of the steel beams in a building. If one or more was missing or askew, wouldn't the building sag or fall down? Similarly, the integrity of your work group or team is undermined when key people are missing during updates or decision-making times; it doesn't matter why or how. They will inevitably miss important communications, updates, reframing of the issues under discussion, and waste everyone else's time when they have to be specially brought up to date. Because they missed the original sequence of events, they may also leave the meeting with an erroneous impression of what was discussed or agreed upon. Set the expectation for timeliness in advance and then start and end the meeting on time. If you respect peoples' schedules, they will be more likely to respect the integrity of the meeting and its objectives.

7. People leave meetings tired, frustrated, angry or depressed.

Your current meeting style might not be healthy for you. If your meetings include donuts, coffee, soft drinks and bagels, they may spike your blood sugar and then cause it to crash. Are your meetings longer than necessary or are they run without breaks? Or perhaps you are holding the wrong type of meeting for the particular time of day. Consider the logistics of the meeting to see if your meetings actually help or hinder the work of the organization.

With more than 30 years of management experience in the maintenance and engineering fields, Joel D. Levitt is a leading trainer of manufacturing, operational and maintenance professionals – having trained more than 15,000 maintenance leaders from 3,000 organizations in 25 countries. Since 1980, Levitt has been the president of Springfield Resources, a management consulting firm servicing clients of all sizes on a wide range of maintenance issues, and is currently the Director of International Projects at Life Cycle Engineering. Mr. Levitt is the author of 10 popular books and over 150 articles on maintenance management, as well a frequent speaker at related industry conferences.

Learn more at www.meetingdefender.com BG

Legal Perspective

Crossing the Panhandle: Risk Shifting and Anti-Indemnity Legislation in Pennsylvania, West Virginia, and Ohio

By Phillip R. Earnest

Construction contracts invariably contain "hold harmless" and "additional insured" provisions favoring the party with the most bargaining power. Owners and developers – who pay for the projects - require and receive complete indemnification from their contractors generally without question by legislatures or courts. Similarly, general contractors seek to shift their own liability and risk to subcontractors, often through broad form indemnification agreements that require subcontractors to indemnify and hold harmless general contractors even for the general contractor's sole negligence. To contractors, broad form indemnification agreements are preferable because they reduce the financial exposure of the contractors to damages claims by injured employees and third parties, thereby reducing the contractor's insurance and legal costs.

To subcontractors, such indemnification agreements can increase the costs of a project by shifting the financial responsibility for damages claims to the subcontractors or their insurers. When subcontractors purchase insurance naming contractors as additional insureds, contractors are forced to pay higher insurance premiums for covered losses, even though the subcontractor may not have been negligent or even where the subcontractor may be barred by a workers' compensation statute from any liability.

Seeking to address the inequity of non-responsible parties bearing the liability of responsible parties, many states have enacted anti-indemnity legislation that prohibits or voids provisions in construction contracts that require a subcontractor to indemnify another party for its negligence. Currently, 41 states have enacted some version of an anti-indemnity statute, even though many of these states limit the application of the statute to public projects. Of those 41 states, 27 prohibit a subcontractor from indemnifying a contractor for its sole or partial fault, while 14 only prohibit a subcontractor from indemnifying a contractor for its sole fault. Additionally, at this time only six states have enacted statutes that prohibit one party from requiring another party to name it as an additional insured.

Each of the jurisdictions in which anti-indemnity statutes have been enacted provides its own interpretation of the correct public policy. For instance, Texas has enacted an anti-indemnity statute that prohibits broad form indemnification clauses for both sole and partial fault but specifically excludes claims for bodily injury by subcontractors' employees. Similarly, New York also generally bars indemnification provisions in construction contracts, but New York permits subcontractors to be required to indemnify a contractor for claims "arising out of" a sub-

Considering the importance of choosing the jurisdiction in which a construction claim will be litigated or the law which will govern a construction contract, the following is a summary of the status of anti-indemnity statutes in our tri-state region:

contractor's work, which courts in New York have interpreted to include the alleged negligence of other subcontractors.

Considering the importance of choosing the jurisdiction in which a construction claim will be litigated or the law which will govern a construction contract, the following is a summary of the status of anti-indemnity statutes in our tri-state region:

Pennsylvania

Pennsylvania remains in the minority of jurisdictions that does not prevent broad form indemnification clauses in construction contracts, with one exception: architects and design professionals are not permitted to contract with owners, contractors, subcontractors or suppliers for indemnification. 68 P.S. § 491. Owners and developers should be aware, however, that architects are still permitted to include limitation of liability clauses in their contracts. Such limitation of liability clauses can limit an architect's liability to a relatively low amount, thus effectively shifting the burden of paying damages claims on to owners and developers. For instance, in Valhal Corp. v. Sullivan Associates, Inc., the Third Circuit approved an architect's contract limiting the architect's liability to $50,000.00. The Court specifically held that the limitation was "a reasonable allocation of risk between two sophisticated parties and does not run afoul of the policy disfavoring clauses which effectively immunize parties from liability."

Contractors should also be aware that while Pennsylvania's legislature and appellate courts do not bar broad form indemnification agreements in construction contracts, it has been the law of the Commonwealth for over 100 years that the language in such indemnification agreements must be stated with precision and in unequivocal terms. Perry v. Payne, 217 Pa. 252, 66 A. 553 (1907). Consequently, general contractors will typically favor Pennsylvania law to govern contracts containing indemnification provisions and should be aware, as discussed below, that even when their contracts contain broad form indemnification agreements, they may be nullified by the law of the jurisdiction in which the project is located unless the contract specifically chooses Pennsylvania as its governing law.

West Virginia

Unlike Pennsylvania, West Virginia has enacted a limited anti-indemnity statute that prohibits subcontractors from indemnifying contractors for their sole negligence. Subcontractors seeking to employ West Virginia law to void such an indemnification clause should be aware, however, that West Virginia's anti-indemnity statute has been severely limited by West Virginia's Supreme Court. In Dalton v. Childress Service Corp., 189 W.Va. 428 (1993), the Court held that "a just public policy demands that indemnity agreements be permitted unless they go beyond the mere allocation of potential joint and several liability and indemnify against the sole negligence of the indemnity without an appropriate insurance fund, bought pursuant to the contract, for the express purpose of protecting all concerned." Id. at 431. (emphasis added). The Court explained that, "a contract that provides in substance that A shall purchase insurance to protect B against actions arising from B's sole negligence does not violate the statute as public policy encourages both the allocation of risks and the purchase of insurance." Id. (emphasis in original). Consequently, while West Virginia's legislature has specifically prohibited contractors from requiring subcontractors to indemnify contractors for their sole negligence, West Virginia's Supreme Court has effectively nullified the statute by permitting contractors to require subcontractors to purchase insurance in favor of contractors' sole negligence.

Ohio

Of the three jurisdictions in our tri-state area, Ohio is by far the most favorable to subcontractors. Ohio has enacted an anti-indemnity statute that prohibits contractors from requiring subcontractors to indemnify contractors for either their sole or their partial negligence. Ohio Revised Code § 2305.31. Contractors and subcontractors using Ohio's law to govern their agreements, however, must be aware that Ohio's anti-indemnity statute has been held to prohibit only construction indemnity agreements that arise out of bodily injury to persons or damaged property initiated or proximately caused by or resulting from the negligence of the promissee. Stickovich v. Cleveland, 143 Ohio App. 3d 13, 26 (2001). The Court in Stickovich explicitly held that Ohio's anti-indemnity statute, "does not prohibit a construction contractor from indemnifying others for its non-negligent intentional torts." Id. Further-more, the Court in Stickovich held that, "a mere allegation of negligence is not sufficient to defeat a construction indemnity agreement. Even if there were proof that the party seeking indemnity were negligent, the negligence must still be the proximate cause of the injury." Id. Consequently, in Ohio, a subcontractor may use Ohio's anti-indemnity statute as an affirmative defense, but the subcontractor may still be required to prove that it was faultless in causing the harm to the plaintiff that gives rise to the contractor's indemnity claim.

The legislatures in our tri-state area have taken different approaches to expressing the public policy supporting or rejecting indemnification provisions in construction contracts, and the courts of each state have limited or expanded what was seemingly the intent of each state's legislature. Parties entering into construction contracts should be aware that their indemnification and additional insured clauses should be carefully drafted in conjunction with their choice of law provisions for each particular project. Merely relying on a standard clause or provision in each contract is likely to result in more or less risk transferred depending upon jurisdiction. Contractors often cross state lines and enter into contracts with out-of-state participants or agree to perform work in other jurisdictions. In such situations owners, contractors, and subcontractors may be able to negotiate indemnification, additional insured, and choice of law provisions which take advantage of the law in each particular jurisdiction.

Phillip Earnest is a partner with Pietragallo Gordon Alfano Bosick & Raspanti LLP who focuses on insurance coverage claims and litigation, appellate litigation, commercial litigation, and construction claims and litigation. For more information, contact him at (412)263-4374 or e-mail him at PRE@Pietragallo.com. BG

MBE/WBE Company Spotlight

Colby Design Ltd.

Fran Colby

Fran Colby's passion for design has given her a kind of tunnel vision and focus that prevents her from looking at her business from a big-picture perspective, even though she was committed to doing so for her clients. When she realized this after more than a decade of designing environments for others, Colby decided to do some work on her own business.

"In 2011, I realized I needed to remake my business," she explains. "When I thought about it, basically that's what I've done for my clients: understand what they need and where they want to be and match interiors to that vision."

Colby recognized that most of her work was part of an effort by her clients to revise or recreate their image, so she changed the way she identifies her own services, emphasizing her role as a participant in re-branding. She found her approach to design was similar to that which her clients took in re-branding. Colby spends significant time talking with the client prior to any creative activity and makes use of the client's own materials – websites, marketing pieces or catalogs – to help determine what the client is thinking about for his or her new look. She says it's not unusual for the client to be surprised about the results.

"I like to sit down and talk with someone first and I have a knack for capturing what they want," says Colby. "Very few times has a client rejected what I came up with. I work hard at pulling it out of them. Some of my clients end up thinking they designed the space!"

Fran Colby gained her experience working with corporate clients while designing interiors at the former Burt Hill Kosar Rittelmann. Colby moved to Pittsburgh when she married and started working at Burt Hill in 1981. During nearly two decades at the firm, Colby designed and managed projects for Bayer, Mellon Bank, CNG, Federal Home Loan Bank and the Turnpike Commission.

She recalls Peter Moriarity – who eventually became Burt Hill's CEO – as a mentor who encouraged her and pushed her as a designer. Colby describes herself as a big picture person when it comes to project management. "I start the ball rolling and the team puts the project together," she says. She notes that at the same time she also cared very deeply about

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the end product, often revising the design after the workday ended. While her responsibility was primarily space planning, Colby says she found her forte was public spaces. "I must have done 1,000 toilet rooms," she jokes.

During her tenure with Burt Hill, Colby also played a role in landing the firm's first international project for the Jindal Group. A representative of Baker Furniture referred Colby to Jindal after working with her on the Federal Home Loan Bank project. She got the chance to sit down and negotiate an agreement with Mr. Jindal that covered travel and the expenses of working from halfway around the world. The project went well and afterwards Colby was asked to speak at seminars on getting paid overseas.

At the end of 1999, Colby was given the news that she was not going to become a principal at Burt Hill. She used that career news as the spark to launch her own design firm, founding Colby Design in 2000. For the next 18 months she had steady work as a consultant to Burt Hill, finishing projects at the Turnpike Commission and Dubai. That proved to be a solid foundation for her business and Colby found that the work that followed often came from repeat clients and referrals, even if she admits to not having the keenest sense of business development.

"It always comes in through the back door for me; there's never a straight line to the job," she says. Colby uses a corporate design project for turbine manufacturer Elliott Group as an example of what she means.

"I got a call from a woman who wanted her home decorated. I didn't return the call but she called again the following week. I toured her house and was hired," she recalls. "[During the project] her husband came home from work as an executive at Elliott, complaining that he needed to find a designer for their lobby. His wife told him to hire me."

Colby tends to focus intently on the projects on which she is working. That passionate practice limits the number of projects she tackles at any one time, especially since she has chosen to remain essentially a one-woman practice. "I'm not the easiest person to work for," laughs Fran Colby, when asked about her decision to remain small. "I stay lean and add contract people as I need, hiring architects or engineers to help with the work."

Reimagining the role her interior design business played with the branding efforts of her corporate and hospitality clients gave Colby Design a boost, but it hasn't changed Fran Colby's reason for being.

"No matter what I do, it has to be good enough for the cover of a magazine," she says. "Do you make a lot of money doing business that way? No, but design has been my life. I live it and breathe it." BG

Company Facts

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MBA Master Builders' Association of Western Pennsylvania, Inc.

Make plans to attend

The Construction Industry Evening of Excellence

is a night that celebrates the brilliant and unparalleled design and construction industry. This event unites the firms and individuals that are developing our region with a commitment of excellence in each and every construction project. This commitment to excellence will be on display during the event as the winning projects in the MBA's Building Excellence Awards program will be announced.




Thursday, February 26, 2015 • 5:00 to 9:00 P.M.
Heinz Field East Club - $35 Per Ticket

Event includes two drink tickets and strolling buffet.
For ticket information, please call the Master Builders' Association at 412.922.3912, email jobrien@mbawpa.org or visit www.mbawpa.org.

Event details to be posted first on the Evening of Excellence group on LinkedIn.
To locate the group type the following in a search on LinkedIn: Evening Of Excellence.

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See you on February 26th at the Evening of Excellence

Matching Veterans to Construction Jobs is a Workforce Solution

It doesn't occur every day, but there are times when a real need meets a genuine opportunity. That intersection of opportunity and desire exists right now with the efforts to help military veterans find meaningful work. One of Pittsburgh's best-known veterans neatly sums up the difficulty of taking advantage of that opportunity with veterans.

"The disconnect is the stream of information," says Rocky Bleier, former Pittsburgh Steeler and owner of general contractor RB VetCo. "Everybody wants to do something but no one knows what to do."

Metropolitan Pittsburgh is home to more than 250,000 veterans, a demographic share that is among the highest in U. S. cities. The region is also experiencing a mismatch of skilled workers for available opportunities, as evidenced in the more than 26,000 open jobs aggregated at the imaginepittsburgh.com website. It would seem to be a "no-brainer" to leverage the skills and experience of military veterans to fill some of those positions.

Builders Guild Executive Director Jason Fincke sees that no-brainer working very well for construction jobs.

"I think there is a natural transition from military life to construction," he says. "Let's face it; we're looking for men and women with self discipline. Where better can you get the kind of training in self-discipline that the military provides? That environment requires them to show up every day ready to perform."

Fincke goes on to list the attributes that a veteran brings to the construction trades and employers, citing the physical and technical skills and the willingness to take direction and operate within a team concept. "Any chance we have to try to reach out to vets, we do. They are ideal candidates. The average age for an apprentice now is 27 years old. That's perfect for when most of these veterans are leaving active duty," Fincke explains.

Some of the edges that the local unions are giving veterans include accepting applications year-round – most locals only accept apprenticeship applications during limited time windows of the year – and giving credits for military service on the application tests.

Ricky Okraszewski is training director for the Keystone + Mountain + Lakes Regional Council of Carpenters. Working with the Veterans Administration, the Carpenters are an approved center for education and training for veterans, a competitive advantage that allows apprentices to receive veteran's educational benefits while working. That gives a veteran apprentice the opportunity to supplement his or her paycheck while learning the trade. Okraszewski says that employers like the maturity levels and preparedness of veterans and tracks the vets in the Carpenters' program. He also says that the number could be higher.

"There are probably about 40 veterans in the [apprenticeship] program right now in all of the carpenter crafts," he says. "That's about five percent of the 900 carpenters in the locals. There are not as many applications as you might think."

Ricky O's comment underlines the dual nature of the issue. As much as the business community may have a heart for filling openings with veterans, most business owners and managers don't really understand how military service translates to their companies. An even larger gap in translation exists for the veterans, many of whom had little or no work experience before enlisting. For perhaps the first time, organizations are beginning to address these gaps in understanding in a systematic way.

One of those efforts is Service to Opportunity, a program of the Allegheny Conference on Community Development that is part of a larger initiative to improve the workforce in the region's energy and manufacturing sectors. The Conference's point person for Service to Opportunity is Laura Fischer, senior vice president of special projects. The goal of Service to Opportunity is to connect veterans to jobs that match their skills. The program arose as a by-product of the effort to help the natural gas industry expand the workforce when the exploration of the Marcellus Shale started.

"We did a deep dive into the energy and manufacturing workforce issues. It started with the Marcellus Shale and resulted in ShaleNET," Fischer explains. ShaleNET links workforce to training and employment opportunities in the shale gas play. The ShaleNET site has been the link to jobs for 3,300 people thus far, with an 80 percent retention rate. The surprising nugget of information in that statistic is that about one-third of those 3,300 are veterans. "We saw the fit and the unlikelihood that others would see the fit," Fischer says.

The result was a study of the energy sector's needs for workforce and the supply imbalance through 2020. Working with Development Dimensions International (DDI), they studied the needs of 37 companies and identified 14 high demand occupations that were common across the sector. Two-thirds of those positions did not require a four-year degree. Another result of the study was that it uncovered part of the veterans' dilemma in pursuing the jobs.

"One of the things discovered in the assessment of the 37 companies was that they had 14 common positions but over 150 job titles to describe those job families," notes Fischer. "One of the features of the [Service to Opportunity] aggregator is that it lumps jobs together."

DDI also did a deeper dive into the requirements of the positions and focused on behavioral requirements as well as technical skills. They discovered that there was a better opportunity to match behavioral skills that veterans aren't aware that they possess.

"The behavioral skills that veterans have that work for energy are leadership, high safety awareness, dealing with ambiguity in the field, willingness to work in all conditions, willingness to work until the project is complete and comfort working within the team framework," recites Fischer. Those are behavioral skills that the construction industry finds useful too. What surprises many civilians – particularly employers – is that those behavioral skills are often not in the inventory that a veteran assesses for himself or herself.

Part of the problem is that the Veterans Administration lacks the resources to properly support this aspect of veteran life, especially since there are a number of issues facing returning veterans trying to find employment. Moreover, concentrations of veterans vary widely from region to region – as we discover about Western PA for example – and the vet population doesn't necessarily match up to where the opportunities are. For these reasons, a plethora of local agencies exist all over the nation to address specific – sometimes unrelated – veteran's issues.

Roy Cheran is the executive director for Operation Strong Vet, which works at the veteran's employment issues from the vet's side of the table.

"We're on the front end of what the Conference is doing, trying to assist vets to get ready for employment," Cheran says. "That could be help with residence, legal, physical or educational. The biggest challenge is that we have this immense pot of skilled, highly disciplined, seasoned group of professionals who are used to hearing 'get this done' and then doing it, but they are struggling to translate their skills to the workplace."

Operation Strong Vet is aligned with five community partners who already exist to provide support to those who need the support veterans often do. While all aren't specifically founded to serve veterans, Operation Strong Vet is collaborating with the non-profit agencies to give the help that a veteran may need before he or she is ready to begin a job search.

Those partners are Checkpoint, an online service gateway which connects vets to needed services; City Mission, which provides temporary residence and cognitive behavioral and job training; Neighborhood Legal Services; Pittsburgh Mercy Health System to care for immediate and ongoing physical health problems; and ELeVATE, a job training and college degree program with a state-of-the-art lab associated with the University of Pittsburgh. Having this spectrum of services offered under one umbrella helps veterans find all of the help they need without searching through dozens of organizations.

Rocky Bleier had already identified skills and a career path when he returned wounded from service in Vietnam. He supports Operation Strong Vet for its effort to offer a clearer path to civilian life for veterans.

"We have to somehow connect all these agencies together. Strong Vet is starting to do that," Bleier says. "They put together strong agencies that don't take federal aid that have the resources to handle work needs, legal services, education, physical therapy or emotional needs."

The government's track record with returning veterans has been less than sparkling since the beginning of the Iraq and Afghanistan wars. Unemployment for veterans runs significantly higher – as much as two-thirds higher than the general population. There are now partnerships being formed by the federal government with local organizations to help vets identify their marketable skills and add value to those resumes that will make them more attractive to employers. Laura Fischer notes that the profile of Western PA is high because of its veteran population and the Service to Opportunity program, although the specific aim of the efforts is not geared to construction.

The Department of Defense (DOD) has made employment a higher priority for active duty soldiers. As early as six months before discharge, soldiers have the chance to work on their transition. Fischer says there are more opportunities to deepen that transition planning.

"DOD is looking at what certifications match skills. For example, does a field medic get an EMT certification before discharge?" she asks. "Work could be done in advance of the need. What competencies should be developed to complement military experience? What certifications?"

According to Fischer, the Conference will turn to the information technology sector next, after the working model for energy is developed for Service to Opportunity. She agrees that construction employment would be a good match for many veterans. Rocky Bleier also sees the opportunities in construction in the coming years.

"Heck yeah," Bleier replies. "If you think about everything going on in this region right now in construction, from commercial buildings to oil and gas, there are great opportunities for skilled labor."

"I think there are significant positions available. The heightened awareness – if not obligation – has grown over the past 18 months," says Roy Cheran. "It's very gratifying. Everyone seems to have this pent-up feeling that they should help veterans in some way." BG

INDUSTRY & COMMUNITY NEWS

MBA Young Constructors Help Toys for Tots and Marion Lemieux Foundation

The MBA's Young Constructors celebrated the holidays with their annual fundraiser for Toys for Tots and the Marion Lemieux Foundation at the Hard Rock Café in Station Square. The evening raised over $5,000 and more than 250 toys were collected.

Tomko's Brad Crow and Bridget Johnson at the Hard Rock.

(From left) Erin Heidecker and Kayleigh Gatti from CEC with Baker's Jamie Vojnovich and John Wattick from Mosites Construction.

Brooke Waterkotte from Easley & Rivers with Rycon's Danielle Hoffman (right).

Rycon's Jordan Pollock, Brian Capone and Brendan Madden (right) at the YC Holiday Party.

(From left) PJ Dick's Tyler Bock, Jesse Takosky, Mike Chambers and Anthony Trapuzzanno at the Hard Rock.

Jendoco Sponsors Challenge for Riverview High School

Jendoco Construction recently sponsored the *Challenge Program*, Inc. during a kick off assembly at Riverview High School. During the assembly, student volunteers participated in a mock interview challenge to demonstrate how developing the right work habits and behaviors will set them apart from other jobseekers. Each interview question was aligned with one of The *Challenge Program*, Inc.'s five award categories – Attendance, STEM (Science, Technology, Engineering, and Math) Community Service, Academic Improvement, and Academic Excellence. Students will be eligible to compete for financial incentives in these categories throughout the school year.

CBRE's Brooke Huber with brother Chad Huber of the Huber Group and Cara Esola from AstraZeneca at NAIOP Pittsburgh's Night at the Fights.

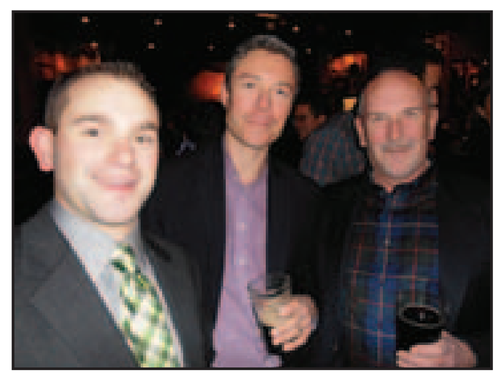
Ted Pettko from Schneider Downs with Massaro's Jean Markewinski at the MBA Young Constructors seminar on changing of the guard.

Horizon's Mike Swisher (left) with outgoing NAIOP Pittsburgh President Dan Puntil from Grandbridge and LLI's Jamie White (right).

Beth Cheberenchick from Facility Support Services with Bob Dezort from Anderson Interiors.

Atlantic Engineering's Matt Kaufman (left) with wife Jillian, and Andy Verrengia.

Emerald Electric's Curtis and Deborah Morehead with Melody O'Brien (right).



Dustin Giffin (left) with Neil Rivers and Gordon Giffin (right).

(From left) Heather and Brad Bridges, PBX board president, with Maggie Withrow and Colleen Cadman from Habitat for Humanity and PBX executive director Del Walker.

Ryan Curry and Elissa Curry from Miller Information Systems with Landau's Doug Brenneman at the PBX annual banquet.

(From left) Dave Casciani from McKamish, RB VetCo's Russ Heyz, Seubert's Mike Petrasek, Elizabeth and Jay Black.

Keystone + Mountain + Lakes Council of Carpenters Executive Bill Waterkotte (left) and Bill Wilson, president of Specified Systems.

Representing Alliance Drywall at the PBX banquet were Joe and Mark Silverio with Eugene Brown (right).

Awards & Contracts

Sturman & Larkin Ford Inc. selected Volpatt Construction as contractor for the expansion of its dealership and body shop in West Mifflin. The $2.5 million project involves the addition of 8,000 square feet of dealership and the conversion of an existing building into a new body shop. Baker Bednar Snyder & Associates is the architect.

Volpatt Construction was the successful contractor on three projects at the University of Pittsburgh: the SRCC Lab, designed by Indovina & Associates; BST-3 10th Floor Lab Renovations, designed by CJL Engineering; and the Cathedral of Learning Korean Room, designed by MacLachlan Cornelius & Filoni.

Landau Building Company will be the construction manager for the new expansion at Karndean Design Flooring, located in Penn Township. The ground breaking ceremony was held on September 17, 2014. Karndean is expanding its facility, which will double the size and add 38 new jobs. Construction is expected to be completed by July 2015.

Mascaro Construction was awarded the contract for the expansion of Universal Electric Corp. in Lawrence, Cecil Township. The scope of work involved renovation of the existing 88,000 square foot facility and construction of a new 81,000 square foot addition. Renaissance 3 Architects is the architect for the project.

Mascaro received a notice-to-proceed on the general trades package (BP#3) for the Courtyard Waterfront Hotel in Erie, Pa. Owned by the Erie County Convention Center Authority, the 191-room hotel will be next to the Sheraton Bayfront Hotel and will open in 2016. Mascaro had previously been awarded BP#1 for the site work and concrete.

Mascaro is completing preconstruction work for the University of Pittsburgh on the Eberly Hall, West Wing Star Laboratory renovation. Construction is anticipated to start in March 2015.

The Davis Companies selected Mascaro to provide preconstruction and construction services for the renovation of the 12-story, 515,000-square-foot Union Trust Building. The project is looking to achieve LEED® certification.

James Construction was awarded the Regional Industrial Development Corporation's Center City of Duquesne Flex Building Project located in Duquesne, PA. The Architect on the project is Desmone and Associates Architects.

Rycon Construction's future headquarters is currently underway in the Strip District as part of Oxford Development Company's $130 million 3 Crossings development situated along Smallman & Railroad streets. A groundbreaking ceremony was held on December 9 to celebrate the start of the 11-acre mixed-use revitalization project.

A new $6 million Dick's Sporting Goods in Parma, OH is underway by Rycon's Building Group. The 50,000 sq. ft. store is scheduled for completion in April.

Rycon's Special Projects Group started work on the Westin Hotel lobby renovation in November. The $3.5 million, 19,000 sq. ft. project, designed by Gensler, is scheduled for completion by March.

Rycon's Special Projects Group has started construction on a new $2.5 million First Niagara Bank branch in Mt. Pleasant. VOCON is the architect for the 4,000 square foot building.

At Duquesne University Rycon's Special Projects Group is completing a renovation of the nurse's simulation space within Libermann Hall. The $1 million, 11,000 sq. ft. project was designed by DLA+.

The Special Projects Group of Rycon is completing renovations for a REMWorks Sleep Store, part clinic/spa/retail/medical equipment facility. Located at the

Waterfront, the project was designed by Cortland Morgan Architects.

At UPMC McKeesport, Rycon's Special Projects Group is completing a renovation of three isolation rooms as well as the History Experience area. The total value of the projects is $400,000.

RB VetCo has completed two design/build projects for the Veterans Administration Medical Center in Erie, PA: the renovations of the Human Resources Office and the new Behavioral Health Building.

UPMC awarded a contract to RB VetCo for office renovations at the Iroquois Building at 3600 Forbes Avenue in Oakland. Lami Grubb Architects designed the project.

RB VetCo is doing the tenant buildout for the wet labs at the Veterans Administration Research Building in Oakland. The architect for the $8.5 million project is Advetec. Engineering is being done by Stantec.

Verizon Wireless awarded a contract to RB VetCo for renovations to its communications facilities at PNC Park. The project was designed by Galetta Engineering.

dck worldwide has been awarded a contract by Thayer Lodging and Met Life to restore and upgrade the Hilton Los Cabos in Mexico's Baja California peninsula. This 375-room luxury resort was damaged in September by Hurricane Odile. dck will be performing this fast-turnaround project with partner, EPCCOR, to repair and renovate the entire interior and exterior of the resort.

dck worldwide was awarded another contract by Residential Capital Solutions to build the last of the five buildings in the Corriente Residential Community. Located in Phoenix, Arizona, each building consists of 24 condo units connected to an existing underground garage.

dck worldwide has been awarded a contract to build another Jimmy Johns restaurant. This project involves a 2,000 square foot build-out of new retail space on McKnight Road, Ross Township.

West Virginia University selected the joint venture of PJ Dick and Hunt to provide CM at risk services for renovations to Milan Puskar Stadium.

CSX selected Polivka/Trumbull to construct the $50 million Pittsburgh Intermodal Terminal in McKees Rocks, PA. The two-year construction is expected to begin in 2015. The facility will enable better coordination of the movement of long-haul freight between trucks and trains.

The Catholic Diocese of Pittsburgh selected PJ Dick's Facility and Asset Management Group to perform laser scanning, space inventory, and building information model development for a five-story building located downtown Pittsburgh.

Burchick Construction was the successful contractor on the $400,000 Shadyside Medical Office Building screen wall. Radelet McCarthy Polletta is the architect. Atlantic Engineering Services is the structural engineer.

Massaro Corporation was awarded the Allegheny Health Network, Forbes Hospital Oncology Expansion. Massaro will serve as the construction manager at risk and provide preconstruction and construction management services for the 4,600 square foot renovation project on the 4th floor of the POB at Forbes Hospital. The project also includes life safety code compliance, and building upgrades. The project architect is IKM.

Massaro Construction Management Services, LLC was awarded the Butler County Community College (BC3)renovation and reconfiguration of the current John A. Beck Jr. Library, which will become the Heaton Family Learning Commons, located on their main campus in Butler, Pennsylvania. The existing facility is an approximately 25,000 square feet, 2 story structure that currently houses all of BC3's Library Services. BG

Faces &

Wes Donovan was hired as senior estimator for Volpatt Construction.

Jendoco Construction Corporation announces that Chris Klehm, Vice-President of Sustainability, has been named a 2014 LEED Fellow by the U.S. Green Building Council. This year's 48 Fellows are recognized for their exceptional contributions to the green building community as well as for their significant achievements among LEED Professionals. To be selected, LEED Fellows are nominated by their peers, undergo an extensive portfolio review, must have at least 10 years of experience in the green building industry and hold a LEED AP with specialty credential, among other requirements.

Mascaro welcomes Tyler Henderson as a Health, Safety, and Environmental (HSE) manager. Tyler is a 2010 graduate of Slippery Rock University with a degree in environmental health and safety management.

& New Places

Michael Marini has joined Facility Support Services, LLC as an Electrical Estimator. Michael brings over 34 years of electrical contracting experience to the FSS team. As Electrical Estimator, Michael's responsibilities include proposal development, estimating, and cost containment.

Jule McDaniel joined Rycon Construction as project engineer in the Building Group. She received a bachelor's degree in civil engineering from Temple University and has seven years of construction industry experience. Jule will be part of The Yards at 3 Crossings apartment complex team.

Rycon announced that Josh McCall has transitioned from project engineer to project manager within the Special Projects Group.

Landau Building Company is pleased to welcome Mike Nehnevajsa as its new Operations Manager. Along with production responsibilities, he will serve as our Safety Director to ensure safe work environments for our skilled employees and to keep projects on track. Nehnevajsa attended the University of Pittsburgh and Community College of Allegheny County, while also completing the four-year Carpenter's Joint Apprenticeship Program. He has held many industry leadership positions, including President of Master Interior Contractors Association, President of National Fireproofing Contractors Association, Carpenters Negotiating Committee, Board member of the Pittsburgh Builders' Exchange, MBA

Marketing Committee, and Carpenters Joint Apprenticeship and Training Committee.

David Burton, vice president of operations for dck worldwide was recently elected as the Chairman of the Design Build Institute of America (DBIA) Certification Board.

Herbert, Rowland & Grubic, Inc. named Robert T. Zulick, P.E., as Senior Sales Executive of the firm's Western Region, which includes the firm's State College, Lewisburg, Pittsburgh, and Hermitage, Pennsylvania and Ohio and West Virginia office locations. Mr. Zulick earned his master's degree in civil engineering from Bucknell University and his bachelor's degree in civil engineering from Pennsylvania State University.

The law firm of Pietragallo Gordon Alfano Bosick & Raspanti, LLP announced that Christopher E. Ballod has recently joined the firm specializing in Construction Law and Insurance Coverage. Mr. Ballod represents design professionals, contractors, and subcontractors in matters ranging from the contract to the courtroom. His specialties include construction defect litigation, insurance coverage for construction entities, and design professional liability.

Pennoni Associates, an award-winning multidiscipline engineering, science, and design consulting firm, is pleased to announce that Brian Hart has recently joined the firm as manager of the construction services division and office director of the Uniontown, PA office. A registered professional engineer in Pennsylvania, Mr. Hart graduated from the University of Pittsburgh at Johnstown with a bachelor's degree in civil engineering technology. Mr. Hart is the former president, and a current member, of the board of directors for the American Society of Highway Engineers Southwestern Pennsylvania chapter.

Nancy Stampahar was hired as the Director of Customer Service and Organizational Development for Burns & Scalo. Nancy will spearhead the customer service department and corporate customer service and organizational development initiatives.

She will focus on developing programs and processes that create a positive and consistent experience for all of Burns & Scalo's customers and its employees. Nancy's role also includes the creation of training and career development programs to further enhance the capability and potential of employees at all levels of our company. Nancy holds her Bachelor's degree from Robert Morris University in Human Resources Management.

Becky Dawson joined Burns & Scalo as the company's Service Dispatch Coordinator. Becky will be responsible for the daily customer experience and operations for both the repair/maintenance and residential divisions. Becky has a strong background in customer service and sales with prior success in service and revenue generating positions within the industries of insurance, utility, and security systems.

Mark Wilhelm joined Burns & Scalo as a Customer Service Sales Coordinator. Mark will focus on enhancing the daily customer experience that includes the inbound and a new outbound initiative to ensure customer touch points and satisfaction. Mark has a strong background in customer service and sales with prior success in revenue generating positions in the for-profit education industry along with various other service-based industries.

Valerie Woodard recently joined Burns & Scalo, serving as the Customer Service Administrative Coordinator. Prior to her hire, Val was serving the interim role through a staffing agency and we are excited to have her formally come on board with the Customer Service team. Val will not only serve as the front line to customers, employees, and visitors as she is stationed in the reception area, but she will also perform support duties for Customer Service, Sales, and Operations functions. BG

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Closing Out

Three Strategies to Transform Our Region

By Morgan O'Brien

Chair, Allegheny Conference on Community Development

Our region is in as strong of an economic position today as we've been in a long time, with a great number of prospects on the horizon. National and global recognition of the region's successes and competitive advantages continues to pour in. More people are working here today than at any point in our history. And as a region, we are getting younger and better educated.

As we look toward the next generation, we must ask ourselves, what are the big challenges and opportunities facing the region? And how, as a region, can we work together to create a prosperous future for all? Last year, the Allegheny Conference sought to answer these questions by engaging more than 1,000 people across the region in its 2015-2017 agenda planning process. We asked participants in all 51 listening sessions to tell us what would make our region the "best place" to live, work and play. We also asked them where the Allegheny Conference can make the biggest difference.

Regional workforce and demographics were top-of-mind for the majority of participants. Transportation and connectivity – defined broadly as roads and bridges, public transit, and bike infrastructure – was a close second. Competitive strengths such as the region's world class leadership in energy and manufacturing and in information technology and corporate services were identified as areas where we need to stay focused. We were encouraged to build on the success of our programs to strengthen communities in our region that have been left behind. And we were reminded to continue our ongoing work to improve the economy and the environment.

With all of this feedback, the Allegheny Conference has developed a strategic approach that will guide our activities over the next three years to position our region for success in the future. Fundamentally, we must do a better job of connecting people to opportunity and to one another across the region.

Morgan O'Brien

Three strategies, focused on People, Economy & Community, and Infrastructure, are being aligned to work together to make the Pittsburgh region the location of choice for individuals seeking opportunity.

People

The People strategy is all about connections – about connecting people to skills, connecting job seekers to employers and connecting populations on the move to opportunity in our region. We have already begun with the creation of programs targeting Puerto Ricans relocating to the mainland and returning veterans seeking opportunity in energy and manufacturing. We are now working to identify and target additional groups, along with underemployed populations within our region seeking upward mobility, to connect them to training and employment opportunities.

Economy & Community

The Economy & Community strategy is focused on maximizing business investment opportunities in energy & manufacturing, information technology, and corporate services – sectors where the region offers significant comparative advantages to employers. We are working to make communities more attractive to business investment by continuing our efforts to improve prospects for the places that have been left behind despite the region's economic transformation. To keep our communities strong, we will seek to realize real reform in state and municipal pensions and work to improve the region's economic competitiveness in terms of taxation and regulation.

Infrastructure

The **Infrastructure** strategy focuses on improving systems and structures that enhance the economy, sustain the population and improve our quality of life. Initiatives already underway include creating a regional vision and framework for a world-class transportation network, including improved transit; developing a sufficient supply of "pad ready" business sites; addressing the region's stormwater challenges; focusing attention on the electric grid as the region and nation transition to a cleaner energy future; and working to expand domestic and international air service.

Each of these three strategies would be ambitious by itself. To make progress across all three through 2017 will require an unprecedented degree of collaboration. The Allegheny Conference cannot do this alone. By working with numerous public and private sector partners throughout our region, we can build connectivity among our people, our economy & communities, and our infrastructure in innovative ways.

It will take hard work to usher in the next renaissance for the region. We know the proven formula for success – all of us working together and collaborating openly to transform each of these issues into future strengths.

It is time to begin.

Morgan O'Brien is president and CEO of Peoples Natural Gas Co. BG

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