



STATE BOARD OF DIRECTORS MEETING HIGHLIGHTS
MONTEREY PLAZA HOTEL, MONTEREY, CA
MAY 2, 2014

AGC of California held its second State Board of Directors meeting of the year on May 2, 2014 at the Monterey Plaza Hotel in Monterey, CA. President Curt Weltz, Walsh Group, welcomed Past Presidents and guests and asked those in attendance to introduce themselves and identify their company.

President's Report: President Weltz gave a recap of the Executive Committee meeting held the day prior. A preliminary agenda and schedule of events for July's Strategic Planning Session was provided, and it was noted that a survey of the leadership and staff will be conducted to further develop agenda items and discussion focus. The Executive Committee discussed the amended Tri-Counties district report. The amendment relays the intention of temporarily closing the Tri-Counties district office as a cost saving measure. District Manager Tony Morelli would work remotely from his home office with administrative support continuing out of the West Covina office. The offices temporary closure is to be contingent on membership numbers. In the event that the district adds \$30k in new membership dues then the office could be re-opened. The Executive committee approved the recommendation from the district and voted to recommend the amended Tri-Counties District report for State Board approval. Mr. Weltz stressed that in approving his report, the State Board would also be approving the Tri-Counties amended district report. The Executive Committee accepted the 2013 Audit Committee Report and Audited Financials which were brought forward and approved by the State Board Directors. Additionally the Executive Committee once again discussed in depth the intention of retiring the Defined Pension Contribution Plan. The Executive Committee approved a motion authorizing AGC staff to move forward with the initial processes of terminating the plan and to report on the status at their July Executive Committee meeting. Based on the conversations to come from that meeting, the committee would then move to recommend further action. President Weltz reported that the Executive Committee reviewed the membership report. Membership will continue to be a main focus going into Strategic Planning in July, and in the drafting of the 2015 goals. An update on the latest Strategic Scorecard accomplishments was given and extensive discussion was held on on - boarding and diversity, successful marketing initiatives and technology advancements. Current progress in regards to the strategic goals is extremely good, with many objectives trending ahead of schedule for completion. The Executive Committee heard an update from the Legislative Committee, CLC Committee, and Legal Advisory Committee. Lastly, President Weltz reported that Don Dolly provided an update on the Northern and Southern UCC. Power of Attorneys and labor relations activity remain steady. Don was very complementary of the hard work of the AGC staff during various negotiations including the Laborers Master, Carpenters, Millwrights, Pile Drivers, Iron Workers, Laborers Traffic Control, and Laborers Tunnel

agreement negotiations. The State Board of Directors approved the President's report as submitted.

Special Guest Speaker: President Curt Weltz introduced special guest speaker, Senator Jim Beall to address the State Board. Senator Beall represents the 15th Senate District in California and is Chair of the Budget Subcommittee 2 (members of the committee include Senator Hannah-Beth Jackson and Senator Jim Nielsen). Budget Subcommittee 2, oversees resources, environmental protection, energy and transportation in California. Under the umbrella of the Subcommittee, Mr. Beall along with the other members, work to address a number of programs, projects and initiatives, including: The Cap and Trade Program, High Speed Rail, and Bart to San Jose. Senator Beall went into details of the committee's commitment to reducing green house emissions, freeway congestion, and cutting the time it takes to complete California transportation projects. To his point, Senator Beall updated the State Board on the time of completion estimation of the High-Speed Rail, noting that at least 5 years have been added to the timeline for the project simply from political gridlock. Because of the politics involved, California projects are majorly delayed, and cost the taxpayers more money. Senator Beall concluded his presentation by stressing the need to reform the way California efficiently and effectively builds projects, by streamlining the process, being more cost effective and being open to new ways to complete projects faster.

Transportation Presentation: President Curt Weltz introduced Bill Dorey, Director, Granite Construction, and Will Kempton, Executive Director, Transportation California. Mr. Dorey began the presentation by giving the attendees a brief history of Transportation California, their key victories, and what they are continuing to do for Transportation Infrastructure in California. Started in 1990 by a few contractors in an effort to keep the transportation system healthy and in turn keep their businesses healthy, Transportation California has taken the lead in passing 2 primary pieces of legislation: Proposition 42 (sales tax on gasoline) to increase funds for transportation projects, and Proposition 1B, which authorized \$19.9 billion for vital transportation infrastructure projects. As Proposition 1B money has ended, Transportation Infrastructure is now almost exclusively funded from fuel tax; Transportation California is now tackling the job of developing significant new revenue streams that are needed to make sure the transportation system is up to meeting the needs of California's economy.

Mr. Kempton presented a PowerPoint to the State Board to give the attendees a flavor of what is going on in Sacramento, and the current focus. In terms of current challenges to California's Infrastructure and Transportation funding, Mr. Kempton hit on the following key items: Prop 1B coming to an end, the decline of gas tax revenues and purchasing power, diversion of existing transportation revenue, and the lack of State and Federal solutions. Coupled with these challenges are a number of political obstacles to contend with: investments in transportation infrastructure not being a high priority, voters are of the opinion that they are paying enough in taxes, skepticism is high about Government doing the right thing with tax dollars, and there are few political champions for the cause. Mr. Kempton posed the question to the State Board, "what do we do"? While there are a number of options which include a gas tax increase, a new statewide bond measure, Cap and Trade, lowering voter threshold on local measures, vehicle license/registration fee increase, and a diesel excise tax increase, voters are not supportive. Without a "silver bullet" solution, Mr. Kempton noted that a short term measure will need to be

pursued until a more permanent mechanism is developed and implemented. Will updated the Board on some of the best “Plan B” opportunities, including redirecting truck weight fees currently going to the state’s General Fund for debt service, accelerating the payback of loans made to the General Fund from transportation accounts, and Cap and Trade funding . In conclusion, Mr. Kempton outlined a strategy going forward which included: informing and educating the public, working with the Governor, cultivating transportation advocates in the Legislature, building our coalition and telling our story. Will stressed that it is up to the California contractors to work together to identify and champion solutions to counteract the deteriorating system and to protect our industry.

CEO’s Report: CEO Tom Holsman reviewed the Association’s financial health and staffing, going through various PowerPoint slides which offered the State Board of Directors a clear picture of where the association found itself financially at the end of 2013. Mr. Holsman presented a year-over-year comparison of revenue sources. Directors were briefed on what made up value added revenue, which resulted in 21.7% of AGC’s total revenue in 2013. While staff costs have remained relatively level since 2008, AGC has made significant cuts to the general expenses causing Mr. Holsman to praise the staff for their vigilance in keeping costs low. Tom reported that 2013 functional expense allocation saw 44% attributed to member services, with IR services, CIAG, and administrative expenses making up the majority of the rest of the allocation. The board was briefed on AGC staff changes, including Phil Varni’s (Santa Clara/ Monterey District Manager) resignation, the pending retirement of Bob Norling (IR Director South) and the transition of Mark Reynosa (IR Director North) to the Director of IR South (after Mr. Norling’s retirement). AGC has begun actively recruiting to find replacements for both the opening for the Santa Clara/Monterey District Manager position, as well as pending opening of the Director, IR North position.

AGC of America: President Curt Weltz introduced Steve Sandherr, CEO of AGC of America. Mr. Sandherr reported on a variety of issues to the board, beginning with the current political environment. While the limitations of a divided government have been exposed, the Republican Party continues to deal with a restrictive Tea Party Influence. Currently there is a regulatory onslaught with the following being common elements of proposed regulations: disregard/underestimation of costs imposed, indifference to paperwork requirements imposed on managers, significant penalties for insignificant violations, and lack of understanding of how public disclosure of sensitive information can be misconstrued by the public or advantaged competitors. Steve updated the board on the current Legislative Agenda which includes: immigration reform, highway reauthorization, multiemployer pension reform, and tax reform. Mr. Sandherr ended his report by taking a few questions from attendees.

Consent Agenda: The State Board of Directors approved the January meeting minutes, as well as the written District and Committee/Council reports that were provided in the meeting materials (with the exception of the Tri-Counties amended District Report, which had been previously approved as part of the Presidents Report).

New Business

Membership Report: Vice President John Douglas, Granite Construction Co., provided board members with an update on the current status of membership for the Association. The second quarter membership report reflected an overall loss of 41 members since the beginning of 2014. Membership numbers are at 460 for Contractor Members and 444 for Associate Members. Current retention percentages were reported as follows: 96% Contractor Member Retention and 90% Associate Member Retention. Mr. Douglas reported on a number of items that were discussed at the Membership Development Committee meeting the day prior. The MDC discussed the importance of on-boarding, making an effort to get new or disengaged members involved and to make them feel welcome at AGC events. Membership plaques for new members will be updated and the MDC is also working to get plaques out to members for certain “years with AGC” milestones. Lastly, Mr. Douglas requested more participation at the Membership Development Committee meetings, noting that membership is the “life blood” of the association. The membership report was approved by the State Board as submitted.

Audited 2013 Financial Statement Review: Treasurer Jaimie Angus, Griffith Company, reviewed the consolidated financial audit statements for 2013. Mr. Angus presented a slideshow and reported on some of the major elements that represent the “core” of an audit: the independent auditors’ report, the statement of financial position (or balance sheet), and the statement of activities (or income statement). In terms of AGC’s income statement, Jaimie was pleased to report that it was an improvement from the prior year. Significant components of AGC’s combined report included the following information: combined revenue increased about 1% from 2012, non-dues revenue was 21.7% of total revenue, there was positive performance in the periodic pension cost for the DB plan and that a decrease in cash was offset by increase in investment assets. Jaimie gave a brief update on the retirement plan, noting an approximate gain of 18%, AGC contributions of \$103,000 and unfunded liability at \$471k (from 2012 \$710k). In conclusion the State Board was updated on the West Covina building mortgage which was refinanced with Wells Fargo Bank with a 4.97% fully amortized loan (15 years). The State Board of Directors approved the audited financials, as submitted. Copies of the report are available to members upon requests directed to Mike Navin, CFO.

Construction Education Foundation: The Construction Education Foundation Chair, Mike Mencarini, Unger Construction Co., reported that the CEF had elected a new board member, Anita Young, Umpqua Bank. The State Board of Directors approved Anita’s election as a CEF board member. In October of 2013, the Education Foundation requested that the State Board of Directors approve the addition of a voluntary “opt in” line item to the annual dues invoice for a \$100 (or other) tax deductible donation to the Construction Education Foundation. Since that approval and subsequent addition, over 4k additional dollars have been raised for the Education Foundation. Mr. Mencarini presented a video put together by the CEF. The video featured a number of scholarship recipients and Student Chapter alumni. In closing, Mike stressed the importance of continued support for the foundation, reminding everyone that “it is up to us to look out for the future of our industry”.

The video will be made available for viewing on the AGC of California YouTube channel.

Legislative Report: Past President, Randy Douglas, Tierra Contracting, Inc., stood in and gave the report for Legislative Chair and Past President John Nunan, Unger Construction Co., who was unable to attend the meeting. Randy reported that in advance of the AGC Legislative Committee meeting held in March, AGC advocates reviewed over 2,500 new proposed pieces of legislation and identified over 200 of these bills as having some potential impact on the construction industry. Mr., Douglas presented a brief status summary on major priority legislation and issues being followed by AGC at this point in the Legislative Session. AGC is sponsoring 3 bills in 2014; SB 785 (Wolk) – Design-Build, AB 1741 (Frazier) – Prevailing Wage Claims and AB 1939 (Daly) – Prevailing Wage Determinations. Randy concluded his presentation by encouraging everyone to have June 18th set on their calendars for the Legislative Day in Sacramento as well as to make sure to attend the preceding evening's reception on the 17th to discuss issues with key legislators on both sides of the aisle. Mr. Douglas reported that the agenda had been set for Legislative Day and that it looks to be very interesting and educational, with a great blend of legislative, regulatory and political presentations scheduled.

Safety and Health Council Report: Safety and Health Council Staff Liaison, Kate Smiley Crawford, stood in for Vice-Chair Clark Peterson, SKANSKA, to provide an update for the Council. Kate touched on three key areas that the Safety and Health Council have been focusing on: Leadership, Policy and the Future. The S&HC is recognized as a change agent in California. While driving positive regulatory changes throughout the state they are also driving owners to higher levels of safety within their specifications. In regards to policy, Kate reported that the Work Zone Safety Bill which works to protect workers who develop roadways was a product of the S&HC. The State Board heard from Kate about the way that the Council is looking towards filling a major gap in the Construction Management programs. Currently there are no Safety and Health management programs embedded in CM programs at California colleges. The Council has looked to remedy this by approaching those universities with AGC Student Chapters in an effort to develop a presence in those programs. Kate concluded her report by inviting everyone to attend the S&HC meetings.

Division Reports: Detailed highlights from the Division meetings are attached.

Announcements & Future Meetings: President Weltz thanked all those in attendance and announced that the next State Board of Directors meeting will be held in conjunction with the Fall Conference, October 22- 24, 2014 at the Rancho Las Palmas Resort in Palm Springs, CA.

JOINT ENGINEERING DIVISION MEETING HIGHLIGHTS
MONTEREY PLAZA HOTEL, MONTEREY, CA
MAY 1, 2014

The Joint Engineering Division Board of Directors meeting was held on May 1, 2014. Steve Poindexter, Chairman of the Joint Engineering Division Board of Directors called the meeting to order.

Construction Education Program: Professor Mikael Anderson, Chair for the Department of Construction Management at California State University, Sacramento reviewed his heavy civil construction program. CSU, Sacramento is on the semester system with a 15 week course, two 50 minute lectures per week, with weekly labs of 2 hours and 50 minutes. There are a total of 55 hours of face to face time with the students. The course topics include soil classifications, mass diagrams, productivity procedures, unit price bid simulation, case studies, green sheeting & responsive bid packages. The cause objective is to review the entire job including the Buy - Haul – Place and complete quantity take offs (QTO) along with equipment selection, crew size, equipment spreads and productive calculations. The students are required to break down operations into basic steps as follows: cycle-load–swing-dump-return. Professor Anderson noted that his courses included real project drawing and specifications. The students audit trails – detailed QTO and estimating spreadsheets with cash flow analysis, CAT manuals, hands-on labs & in class activities, student group term projects & productive videos. Looking ahead the program is looking to work with heavy civil technology such as AGTEK models uploaded to Google Earth & Plan Grid tablets in the field. Student will be able to sample projects with online library of photo and videos. This course will be offered in the junior year, not as currently in the senior year to generate more interest in discipline at an earlier stage. CSU, Sacramento’s CM program maintains a 100% job placement for their students.

Legislative Update: Dave Ackerman, Principal Partner , The Apex Group, noted that the legislature just finished with the first deadline for bills with any money or costs involved. AGC sponsored legislation includes AB 1741 (Frazier) – This bill deals with prevailing wage claims. It amends the labor code to allow the rise of a surety bond to meet the contractor’s obligation to deposit the required amounts with the Department of Industrial Relations in the event of a prevailing wage claim. Under the Major Issues category: A public works registration fee. The Department of Industrial Relations has a new \$300 annual fee charged to all public works contractors. This will help pay for the DIR’s labor compliance and prevailing wage enforcement activities on public works contracts. The unintended consequences include: bid protests, subcontractor disqualification, voiding of contracts & possible debarment for failing to pay the fee. Another major issue is the Highway Work Zone Safety Bill. AGC President Curt Wertz has personally testified for the approval of this bill. This will include CHP construction zone enhancements and help Caltrans with bidding options. New legislation supported by AGC for 2014 include: AB 2651 (Linder), AB 2178 (Perea) and SB 1418 (DeSaulnier) – Transfers \$900 million in truck weight fees to the state highway account, SB 1077 (DeSaulnier) – Requires the DMV to develop a pilot program to test a vehicle-miles-traveled charge to replace the gas tax. AB 2471 (Frazier) – Requires prompt payment on change orders on public works project, AB 2688 (Brown) – Allows an employer to use advise from DIR as an affirmative defense, AB 1724 (Frazier) – Authorizes CM/GC authority for regional transportation agencies, SB 1433 (Hill)

Deletes the repeal date for transit districts to use design-build authority, AB 2312 (Nestande) – Requires junk dealers to request and receive metal theft alert notifications, AB 1769 (Dababneh) – Eliminates the requirement that LLC’s pay a minimum fee during the first two taxable years, SB 1048 (Roth) – Allows cement trucks to exceed weight limits due to equipment addition requirements by the California Air Resources Board. New Legislation that AGC is opposed to in 2014 includes: AB2416 (Stone), AB 1870 (Alejo), AB 2447 (Cooley), AB1522 (Gonzales), AB 1634 (Skinner), AB 2030 (Campos), AB 2074 (Hernandez), SB 1270 (Pavley). New 2014 legislation that AGC has secured or seeking amendments to are: AB 1650 (Jones-Sawyer), AB 2114 (Pan). Legislation just introduced includes: AB 2652 (Linder), AB2653 (Linder), SB 918 (Gaines) – This bill will reform and improve the California Department of Transportation (Caltrans) by increasing transparency and improving the opportunity for effective oversight.

Future Construction Technology: Kevin Heinichen, Project Manager with CDM Smith Company discussed his ultimate goal to streamline the daily construction process, while incorporating technology into the workflow of field personnel. Kevin quoted Freeman Dyson noting, “The technologies which have had the most profound effects on human life are usually simple.” Kevin explored some of the different construction technology that included Busybusy, Gadzoom, Multivista, Bluebeam & LCPtracker along with reviewing Cloud storage. He reviewed a CDM Smith case study showing the improvement of the clients efficiency in collecting key information, virtual design and construction including building information modeling, product organization that includes analyze: quantities, schedule, cost, 4D interactions and process risk, visualization, strategic management with business metrics and analytics, economic impact analysis: cost and value of capital investment. CDM Smith can improve organization and documentation that includes: streamline paperwork, reduce time spent on “paperwork” while increasing quality, reduce demand on key personnel & makes everyone’s job easier.

Desalination Project in Monterey: Richard C. Svindland, PE, Vice President and Director of Engineering for the California American Water & Hawaii American Water, reviewed the semi controversial Monterey Peninsula Water Supply Project. He noted that there were several pitchers of water located for participants to use. If the \$300 to \$400 million project was not approved, in two years there will be no pitchers of water in the room because water will be rationed. The basics for the project includes desalination and ASR facilities required re replace partial loss of supplies from Carmel River and Seaside Groundwater Basin, (approx. 70% of existing supplies), 6.4 MGD to 9.6 MGD (6,252 to 9,752 AFY) desalination plant, 13.2 to 25 MGD slant well intake system (7 to 9 wells) on coastline, brine discharge to existing outfall, ASR system in Seaside Groundwater Basin, over 20 miles of new feedwater, high service and miscellaneous mains.

Zurich North America Presentation: Scott Marvell noted that they are in their third year of a relationship with AGC & reviewed the benefits of the group insurance offered from Zurich.

Stop Notices on Caltrans Projects: David Cruce with Papich Construction noted that his company has concerns with the way Caltrans is dealing with stop notices on projects. Until two years ago prime contractors were able to “bond around” the stop notice and the project was able to continue until completion and the parties could resolve the disputed issues at that time.

Currently, Caltrans is dealing with the stop notices on a case by case basis but the entire project could be shut down until the stop notice is settled. AGC has a committee reviewing this process with Caltrans and will report back to the Board at the fall meeting.

Next Meeting: Chair Steve Poindexter announced the next meeting will be held at the AGC of California Fall Conference October 23, 2014 at the Rancho Las Palmas Resort & Spa, 41000 Bob Hope Drive, Rancho Mirage, Ca. 92270.

BUILDING DIVISION MEETING HIGHLIGHTS
MONTEREY PLAZA HOTEL, MONTEREY, CA
MAY 1, 2014

The Building Division meeting was held on May 1, 2014 at the Monterey Plaza Hotel and Spa in Monterey, CA. Chairman Skip Mancini, B.T. Mancini Co., Inc. called the meeting to order and asked for self introductions

Building Division Highlights: Chairman Skip Mancini, B.T. Mancini Co., Inc. asked for approval of the Building Division highlights from the January 23, 2014 meeting. The division approved the highlights. (m/s/c)

Title 24 – 2013 Non-Residential Changes to the Energy Standards: Mechanical Systems – Gina Rodda, Principle, Gabel Associates, addressed the division on the following topics: solar readiness, mandatory measures, prescriptive measures, covered processes, electrical, and energy code ace. An informative question and answer period followed

Partnering: Next Generation: Rob Reaugh, International Partnering Institute, IPI, spoke on “Collaborative Partnering, the Next Generation”. Subjects discussed included: What is Collaborative Partnering, Conflict is Expensive, Partnering is Owner – Driven, Critical Lessons Learned, Owners Toolbox Tools, Accountability and Measurement, Best Practices, and “Leveling Up” with the IPI Matrix. Numerous questions were discussed following the IPI presentation.

Creating Next Level Workplace – Martin Shapan, Kaye/Bassman International, discussed creating an outstanding work environment for employees. Some key takeaways from his session included:

- Highlighting the integral link between workplace environment and corporate profitability.
- Establishing the three building blocks critical to making an environment a great place to work.
- Identifying the importance of why your mission, vision, and values are vital to organizational, divisional, and team alignment.
- Becoming an employer of choice through linking specific career goals to quantifiable career paths.
- Utilizing formal and informal surveys and feedback assessments to ensure continuous improvement.
- Establishing best practices required to ensure a culture of effective recruitment retention.

An extensive question and answer period followed.

2014 Building Division Legislative Update: Dave Ackerman, AGC Advocate, presented an in-depth review of several pieces of legislation that affects building contractors. Sponsored Bills include, SB 785, Wolk: Design/Build, AB 1741 Frazier: Prevailing Wage Claims and AB 1939, Daly: Prevailing Wage Determinations. Some of the bills supported by AGC of California include, AB 2335, Buchanan: School Bond, Fall 2014 and SB 1048, Roth: Cement Trucks,

Exceeded Weight Limits. Dave also updated the Division on bills opposed by AGC of California; AB 2416, Stone - employee to place a lien on employer's personal property for unpaid wages, AB 1870, Alejo - limits state funding for apprenticeship programs that serve the same geographic region, and AB 2074, Hernandez - Allow an employee to sue an employer for liquidated damages for failing to pay state minimum wages

Update on Prequalification Language: Jonathan Marz, Diepenbrock Elkin, updated the Division about the continued refinement to the Prequalification Document. Final version will be out for review in a few weeks.

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