



CJE Newsletter

November 2004

Volume 5, Number 3



*Alliance for
Construction
Excellence*

*Del E. Webb School of
Construction*

*Arizona State
University*

(480) 965-5324

ACE.ASU@asu.edu

**[http://construction
.asu.edu/ace](http://construction.asu.edu/ace)**

Upcoming JOC Events

Jan 31, 2005
CJE Annual Training

Feb 1, 2005
CJE Annual Meeting

Mar 31 – Apr 1,
2005
Project Delivery
Method Overview

Apr 12, 2005
JOC Seminar

2nd Monday each
month:
CJE Steering Comm.
Conference Call

CJE Goals and Objectives

- Expand the JOC market through the education of potential users and practitioners to the benefits and practices of JOC.
- Encourage the use of 'best value' selection of JOC contractors and consultants by developing an Owner Practices & Procedures Manual including forms, guidelines and documents.
- Continuously improve the industry through performance feedback, education and training.
- Expand membership by enhancing member benefits with publications of CJE goals, activities and results.
- Enhance CJE viability through communication with current, past, and potential members.

Status of JOC Program at Emory University

**By: Charles Norris, Assistant Director Plant Operations Emory
University**

Background

In November 2003 Emory University embarked on the implementation of a Job Order Contracting (JOC) program for the purposes of expediting and improving the construction services Facilities Management (FM) provides to Emory facility users

The specific objectives of FM were simple; increase quality of FM services provided to all campus facility users in the following manner:

- (1) Respond to facility users faster. This includes instances of routine stand-alone construction services and routine design/construction services.
- (2) Provide facility users with predictable and cost efficient pricing. To essentially save money by bundling the procurement of multiple facility user requirements under a single contract.
- (3) Provide a consistent high quality level of workmanship and materials for all facility users' projects.
- (4) Structure contractual relationships with proven high quality contractors that: fosters partnership; are mutually beneficial to both parties financially; and that delivers the next to impossible projects routinely and routine projects with the minimum investment of time and effort from FM staff and the facility user.

Results To-Date Obtaining Objectives

In the first 5 months of the JOC program Emory has issued 33 job orders totaling \$1,007,092. During this period, the average of the job order issued is \$30,517. When the single largest job order is excluded, the average Job Order issued was \$18,700. The largest job order was for ADA compliance work at the Clairmont Campus for \$408,697 and the smallest job order was for \$453 for installing a dedicated electrical circuit for a vending machine at the DUC. It is FM's current intention to use the JOC program to accomplish routine work order requests, complete a large part of the annual MR&R program, complete a large part of the ADA settlement/compliance program, complete emergency work, and provide a source for completing overflow work that the FM shops do not have the time or the resources to address.



Visit the CJE
Website at:
<http://construction.asu.edu/ace>

The site is updated frequently and is a source of current information about CJE activities, membership, and other news from the Alliance for Construction Excellence.

- Cost Savings Achieved

Of the 33 Job Orders issued under the JOC system there were 7 projects where FM had quotes to perform the identical scope of work outside the JOC program. Of these 5 out of 7 (or 71%) projects accomplished under the JOC program were less expensive compared to traditional procurement methods; and that the overall net construction cost savings derived by Emory University on all 7 projects was 4.63% of the construction costs.



- Quality Achieved

To-date there have been no material quality issues regarding either workmanship or materials provided under the JOC program. The FM project managers and clients have encountered the normal punchlist items associated with construction projects. All four of the contractors have been extremely responsive with regard to completing the punchlists and closing jobs. Clients serviced by FM through the JOC program have all been uniformly satisfied with the quality of the finished product and responsiveness of the four contractors.

- Partnering Relationship Achieved

Both parties to the contract have been cooperative and eager to develop a long term partnership. For example: FM has done things such as provide office space for each contractor in close proximity to the FM's main building. The contractors have made efforts to be responsive and act in advance of obligating paperwork; and have made minor project staff adjustments at the bequest of the University. To-date the partnering relationship is working. As the volume through the system increases, and as both parties become even more comfortable with the JOC system, benefits to both parties should become even greater. The relationship between the JOC consultant, The Gordian Group, Inc., and FM has broadened to include the temporary assistance of a JOC experienced project manager to augment the FM staff during the peak work load of the summer months and fiscal year end.

Summary

All the primary objectives of FM related to the JOC program have been achieved. Today FM is in a better position to provide a more responsive and cost effective services to its clients. The annualized volume of the JOC program to-date is approximately \$2.4 million dollars. There is significant financial and non-financial potential benefit to the University to derive by utilizing the JOC program to a larger extent. The program was designed and built for \$6 million per year in volume. The anticipated net financial savings in raw construction costs alone, as extrapolated from the sample projects above, is approximately \$2.2 million over the five year duration of the construction contracts. Additionally, other significant benefits, as previously discussed could be derived by FM and its clients. FM is committed to realizing these benefits provided by JOC for its clients and the University at large.

The JOC Experience at Oklahoma State University

By: Larry Lundholm, Assistant Director & SJCS Contract Administrator, OSU

BACKGROUND: Oklahoma State University is a land grant institution, one of the two flagship universities in Oklahoma and a member of the Big XII Conference. It was founded in 1890 and has its main campus in Stillwater with four regional campuses in Oklahoma City, Tulsa (2) and Okmulgee. Student enrollment for the fall semester of 2004 is 33,000 overall in the OSU system.

Like all colleges and universities, OSU experienced significant growth booms in the 1950s and 1960s. The 1990s saw another period of growth and expansion for OSU with the accomplishment of over \$250 million in new construction. Concurrent with the growth in new construction, significant growth also occurred in renovation and upgrade projects for existing campus facilities. Traditionally,

small to medium size renovation projects had been performed by OSU Physical Plant Services (PPS) in-house trades forces with only a minor number of such projects being developed into bid packages for accomplishment by outside contractors. The fact was that the process of developing bid-worthy plans and specifications for renovation projects was time consuming and not supportable by available OSU PPS staff in sufficient quantities to keep up with the demand. By 1997, the backlog of renovation projects for PPS had ballooned to 18-24 months. The harsh reality of this, as an example, was that a new research program would have to wait in the queue 18-24 months before the lab renovation that was needed to support that research could be started. This was an untenable situation for any university. It became a critical issue that needed a viable fix or OSU's academic and research missions would be compromised.

Through our facilities contacts at Texas A&M University, we became aware of a Job Order Contract that they had implemented. At that time, we did not know what JOC was, but we knew it offered a potential solution to our problem. With help from JOC knowledgeable people at both Texas A&M and Tinker AFB in Oklahoma City, we educated ourselves to the JOC process and in the fall of 1997, OSU awarded its first Job Order Contract which was dubbed the Small Jobs Contracting System (SJCS).

OSU is now on its second SJCS contract and is in its 7th overall year of JOC contracting. The first was a 3-year contract with PI Construction and the second is a 5-year contract with Centennial Contractors Enterprises, Inc.

RESULTS/BENEFITS: A direct measure of the success of the program is that immediately SJCS began project work on a real time basis and PPS in-house trades were able to begin the transition to real time project scheduling. Within a year and with the help of SJCS, PPS in-house trades were able to bring the backlog of project work under control and were in position to schedule projects with normal (2-4 months) lead times.

Customer satisfaction improved greatly and, in fact, campus departments began submitting and funding more renovation projects to Physical Plant Services because they no longer faced impossible lead times to get their renovation needs accomplished.

SJCS has been able to absorb the peaks and valleys of project work and permit stable PPS in-house trades staffing and work scheduling, while maintaining a steady flow of projects and a consistent, predictable annual volume of work to the SJCS Contractor.

SJCS has also been used to take on larger scale projects and complex projects that PPS in-house trades could not efficiently perform without adverse affect on their other scheduled project work or which were beyond their available technical capability. In fact, Centennial and its subcontractor base have developed a real expertise in building bio-safety (BSL-2 & BSL-3) research laboratories for OSU such that they may now be the premier contractor in this field in the State of Oklahoma.

SJCS has been a WIN-WIN-WIN deal for OSU. Our process is as follows, PPS and our SJCS Contractor jointly develop a detailed scope of work on which we require approving signatures from all three entities - PPS, Centennial and the OSU customer. We will then typically develop CADD design drawings that adequately define the individual project. From this point the project flows through the Price Proposal, funding, Purchase Order, and work start-finish-close out stages. The customer WINS by getting a completed project quicker than he could by any other contracting methodology, PPS WINS by turning a project from start-to-finish in minimal time with the least manpower impact and expense, and the SJCS Contractor WINS by efficiently executing another project that (presumably) meets their contractual financial expectations.

LESSONS LEARNED: JOC contracting in a university setting is different than in the traditional military setting where JOC began. The transitory life style of the military leads to continually changing staff and leadership at military facilities and the institutional knowledge of a military site resides more with the civil service side than the military side. A university, on the other hand, is staffed with non-transitory, career people who may be with the university 20-40 years and who develop a sense of "ownership" in the university and who are each holders of institutional knowledge. Our staff understands that the university has been here over a hundred years and will be here over a hundred years from now. Renovation and construction standards and practices reflect the institutional longevity and the architectural style of our campus facilities. This mentality presents a different persona for a JOC contractor to learn to deal with than that which he has been accustomed to working with on it's military contracts.

A partnering relationship between PPS and SJCS staffs is much more productive and beneficial for both parties than the traditional adversarial relationships between owner, A-E and contractor. We view our SJCS Contractor as an extension of our in-house trades forces with the only difference being that

CJE Committees:

- **Membership and Member Benefits:** Tom Peeler
- **Legislation:** Brian Bohnsack
- **Education:** Ken Jayne
- **Practice and Selection:** Gary Aller/Dan McCausland
- **Performance-Based:** Dean Kashiwagi

CJE Officers:

- **Industry Chair:** Ken Jayne
- **ASU/ACE Chair:** Gary Aller
- **Past Industry Chair:** Tom Peeler
- **Education Chair:** Ken Jayne
- **Industry Chair Elect:** Charlie Bowers
- **Ex-Officio:** Clint Owings, Rick Farrag

the relationship is contractual as opposed to employee. They are part of the OSU team in all respects and one of the tools in our toolbox.

DIFFICULTIES TO OVERCOME: First, As a state-funded institution, it is imperative to be intimately familiar with all applicable state statutes and regulations, as well as one's own university policies and procedures, and be very diligent in ensuring complete and total compliance to all. Nothing will taint, or even destroy a JOC program, more than to be perceived by your university administration as a non-compliant program. Be proactive on this issue and request periodic independent audits of your program to review your operating and administrative procedures and validate program compliance in all areas.

Second, whether you are a private or public institution, you always face the age-old question: Are you getting the "biggest bang for the buck"? Administrators always challenge operating units on expenditures and their decision-making processes on purchases. A JOC contract faces that same question. The difficulty for JOC is that there is rarely, if ever, a competitive bid price to compare to the JOC price quotation on any given project. Expediency and speed of accomplishing a project is usually the key factor in the decision-making process for the department requesting the work, but administration will still challenge with the "biggest bang for the buck" question. The response that the selection of the JOC Contractor was the result of a "biggest bang for the buck" competitive bid process only takes you so far in responding to these questions. It's the "what have you done for me lately" perspective. After seven years of SJCS operation, OSU's Internal Audit Office was tasked to solicit an independent consultant for the purpose of answering this question about the SJCS program. The consultant randomly selected a number of past SJCS projects and developed competitive bid prices on those projects to compare to the contractual SJCS prices. SJCS pricing was found to be right where it should be and in-line with competitive bid pricing, but eliminated much of the soft costs associated with the preparation of plan and spec bid packages for the competitive bid process and executed projects from inception to completion in much faster time frames. The bottom line is that the validation process had to be served because there was no other way to quantitatively respond to this question that would satisfy the challenging entities.

Has OSU's JOC Contract been a success for Oklahoma State University? Absolutely. By good fortune, we discovered JOC at exactly the moment we needed it most and it now continues as a mature, finely tuned program offering OSU the quickest construction methodology available to perform high quality, professional project work for the University. It is a valuable tool in our toolbox!

Company Profile – Applied Innovative Management

By: Bill Bryant

Applied Innovative Management (AIM) was founded by Ken Jayne and Paul Marshall in 1998 as a premier management consulting firm providing a full spectrum of management services. AIM is focused on doing business with all levels of industry, education, and the government – federal, state, and local, as our staff and consultants have over 200 years of professional experience with industry, education, and the military. AIM consultants are especially knowledgeable of the FARs (Federal Acquisition Regulations), and consult regularly on doing business with the government at all levels.

AIM's experience base is in a variety of industries including engineering and construction, education, facilities management, environmental, energy, and chemicals, and we offer a wide variety of skills including marketing, sales, business development, educational marketing and planning, and strategic planning for our clients. From developing proposals and business process systems to preventive maintenance programs and project/program management, we stand ready to help.

Job Order Contracting has always been a specialty of AIM's practice based on some foundational work by Ken Jayne while in the military and at Brown and Root in the 1980s. Consulting primarily with governmental and educational entities on establishing and managing JOC programs has been a significant part of the firm's practice since inception. This work has taken on increased importance recently with the awarding of a major contract to provide JOC services to Texas schools, colleges, municipalities, and agencies through The Cooperative Purchasing Network (TCPN) in Houston.

Operating out of its corporate offices in Houston, AIM, a veteran owned small business, serves clients across the country.

CJE Membership – What are the benefits?

Bill Sweetser of Centennial Contractors, featured above in this issue’s case study, sums it up very well.

“CJE provides us with the opportunity to interact with many owners who use JOC, helping us to better understand owner needs and expectations. CJE events keep us up to date on trends in the industry: legislation and regulations impacting JOC; ten year contract durations; bonding approaches; software developments and the like. CJE is the voice of the JOC industry. There is no other organization like it.”

Tom Peeler of Mohave Educational Services Cooperative adds:

“Job Order Contracting is a valuable alternative project delivery method for construction contracting. It provides an economical and efficient option for many projects. However, it is new to most public entities and there is a lot to learn. CJE is an excellent resource for anyone interested in establishing a successful Job Order Contracting program.”

Annual Membership Dues*

Individual	\$275
Facility Owners	\$575
Contractors, Subcontractors, Consultants and Vendors:	\$1750

*Dues includes membership in the Alliance for Construction Excellence as well as CJE

Current Members

Basic Industries - Richard Barrick	Northside ISD - Joseph Martin
Applied Innovative Mgmt. - Ken Jayne	Pinnacle One - Dan McCausland
Arizona State Univ. – Dean Kashiwagi	RS Means - Bob Gair
3D International – Ward Simpson, Phil Vilardi	SDB, Inc. – Marco Spagnuolo
Centennial Contractors Ent., Inc. -Bill Sweetser, Charlie Bowers	Sentinel Industries - Paralee White
City of Phoenix - Wylie Bearup	Shaw Beneco, Inc. – Emmitt Smith
Corbins Electric - Mark Fleming	Shughart Thomson & Kilroy - Mike Ladino
CEFPI - Janell Weihs	Spokane Public Schools – Kathy Ely
Estimating Systems, Inc. – Allan B. Cleveland	TCPN – Region IV Educ, Serv. Ctr. - Stuart Verdon, Carol Greb
Greenway Enterprises, Inc. – Gary Hoovestall	Volmer Construction – Peter Volandes
Jamail Const. - Dave Pinkerd	Win Estimator, Inc. – Bill Schaffer
Kellogg Brown & Root – Judy Myers, Rick Farrag	
The Gordian Group, Inc. - Clint Owings, Robert Coffey	
Loudon County Public Schools - William Kolster	
Mohave Educational Services Coop - Tom Peeler	