



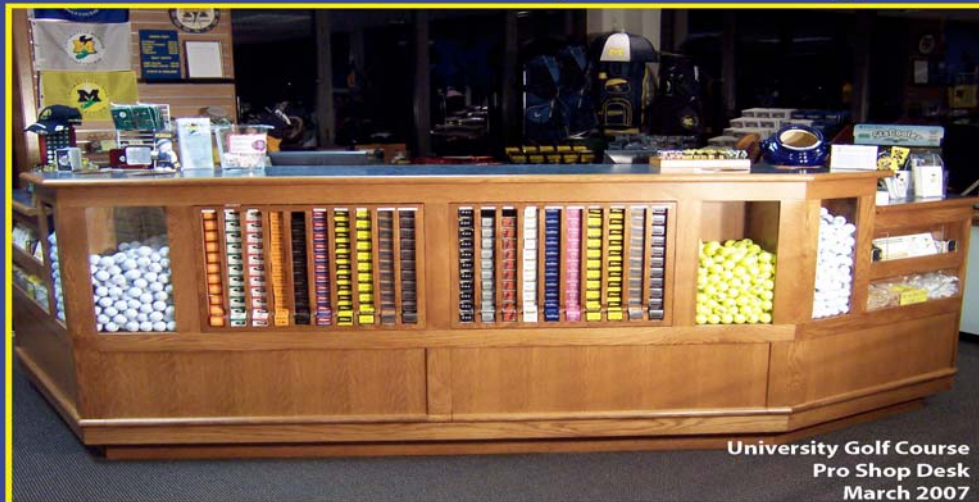
**Plant Operations
Construction Services**

FY 2007 Annual Report

Published: December 9, 2008



Construction Services
University of Michigan



Introduction

Construction Services experienced another exceptional year in 2007. The initiatives we began in the spring of 2006 have begun to pay dividends for our group. After the repeat of the B&F Employee Survey new initiatives were identified and begun in 2007. Our group faces many challenges in the years to come, our goal is to work together to identify areas for improvement which will improve our operations.

In the fall of 2004 all employees in Business and Finance were asked to participate in the first employee satisfaction survey. When the results of this survey were published Construction Services was tasked with identifying initiatives which would lead to improvements in “employee satisfaction”. Our Labor Management Counsel was formed in 2005 and the Counsel developed the initial initiatives for our department.

Two of the initiatives developed by the Counsel, **Clear standards, clear communication, clear consequences** and **Improve the quality of new hires** have produced very positive results.

Over 60% of the employees in our department have been trained in “Crucial Confrontations” resulting in improvements to the communication that takes place between our employees and between our employees and our customers.

The team assembled to address the quality of new hires developed a thirteen point process for all hiring committees to follow. These recommendations address the composition of the committee, the work done prior to the interview, during the interview and after the interview. These recommendations were followed by three committees in 2007 and have produced top candidates for the department.

Business and Finance repeated the employee satisfaction survey in the fall of 2006. The results of the survey showed an improvement in employee satisfaction in all areas where we have the ability to make an impact.

Our Labor Management Counsel performed an extensive analysis of the results and developed new initiatives for Construction Services in 2008. The following areas were identified as our A-Level priorities:

A-1--Incorporates the spirit of several 2005-6 initiatives – the A-level initiative “Develop a vision of an Ideal Construction Services organization and work toward making it a reality”, the B-level initiative “Increase everyday expressions of appreciation, communicate respect and increase basic politeness”, and the C-level initiative “Build the sense of Construction Services as ‘all one unit’ ”; focuses on eliminating things that are a detriment to CS’s functioning as a cohesive team and enhancing things that benefit it; encourages trades people and managers to interact as colleagues. Related strategies include, but are not limited to:

- a. Include trades people in meetings to plan complex projects; get trades people to help with estimates; encourage coordination among trades on projects.
- b. Conduct reviews of completed projects with the people who worked on the projects in order to identify best practices and areas for improvement.
- c. Provide opportunities for individuals to get feedback on their performance from supervisors, customers, peers, direct reports and to give feedback.
- d. Provide opportunities to build skills and keep up on new materials, equipment, processes and procedures, and industry innovation.
- e. Create opportunities for CS-wide dialogue so that everyone has a chance to have their perspectives heard on issues that might help or hinder CS's functioning as a team.
- f. Use technology more effectively to improve communication between trades and supervisors, trades and vendors, etc.
- g. Support "Lean Thinking" initiatives.

A-2 Improve the Material Ordering & Expediting System

Ongoing challenges include:

- a. Managing work using temporary staff when regular Material Expeditors rotate to work as Construction Laborers;
- b. Managing tool inventory and deliveries when Logistics Coordinator is off;
- c. Last minute demand for tool boxes and tool moves;
- d. Vendors only filling partial orders cause delays for return deliveries;
- e. New ordering procedures; and
- f. Responding to peak seasonal work loads.

A-3 Clear Standards, Clear Communication, Clear Consequences

(Continuing; was also an A-level priority in 2005-6)

- a. Continue to offer Crucial Confrontations training to all CS employees to build their skill in dealing with broken promises, violated expectations and unacceptable behavior.
- b. Promote understanding and fair and effective use of the discipline process throughout CS.
- c. Systematize the gathering, internal reporting of and access to customer feedback on projects so that everyone in CS has the information they need in order to improve performance.

Initiative A-1 was too large to be addressed by a single task team so the task was divided. One team has been established to work on addressing the processes required for effective project management in our department and a second team has been established to address the integration of new technology into our work processes; both in the field and in the office.

Construction Services has experienced a number of challenges this past year with the work we perform in the hospital and health care facilities. A process improvement team, facilitated by Catherine Lilly, was established to map the preparation, design and construction phase of projects assigned to Construction Services. This PIT produced a document that outlined the following for each phase of the project:

- Inputs to the phase
- Processes to be followed

- Outputs
- Decisions
- Forms
- To be developed items

This document is now being used on all Construction Services/Hospital Capital Construction projects and is referred to when disputes or disagreements take place. This PIT was invaluable in outlining the responsibilities of all parties to the construction process and has led to an improvement in the way we conduct work in these facilities.

The cabinet shop, under the leadership of Senior Supervisor Richard Gross, underwent a LEAN process improvement effort. Rich believed that the cost of producing millwork and trim in the shop could be reduced if the manufacturing process was examined. John Schaefer from Northern Initiatives was brought in to facilitate a team of Cabinet Makers in the LEAN manufacturing process. The team looked at ways to reduce waste, excessive inventory and physical movement in the manufacturing process. Once the team developed the plan the shop underwent the physical changes required for these improvements to take place. This process has proven to be more successful than we could have imagined when it began.

Construction Services has been asked by the Radiology Department to partner with them on their equipment replacement projects. The department determined that they received the best value for their money when a team of Architects, Coordinators, Construction Managers and Trades People remained the same from project to project. Over the past several years our department had been called up for these types of project and the department is looking to us to perform the construction on eight of these projects in fiscal year 2008.

The bi-weekly department newsletter, **In The News**, completed our third year of publication. This newsletter is distributed electronically to many employees, printed copies are given to others and posted on job sites. We also maintain approximately six months of back issues on our department web site. Through the end of this fiscal year almost 75 editions of the newsletter have been produced and distributed.

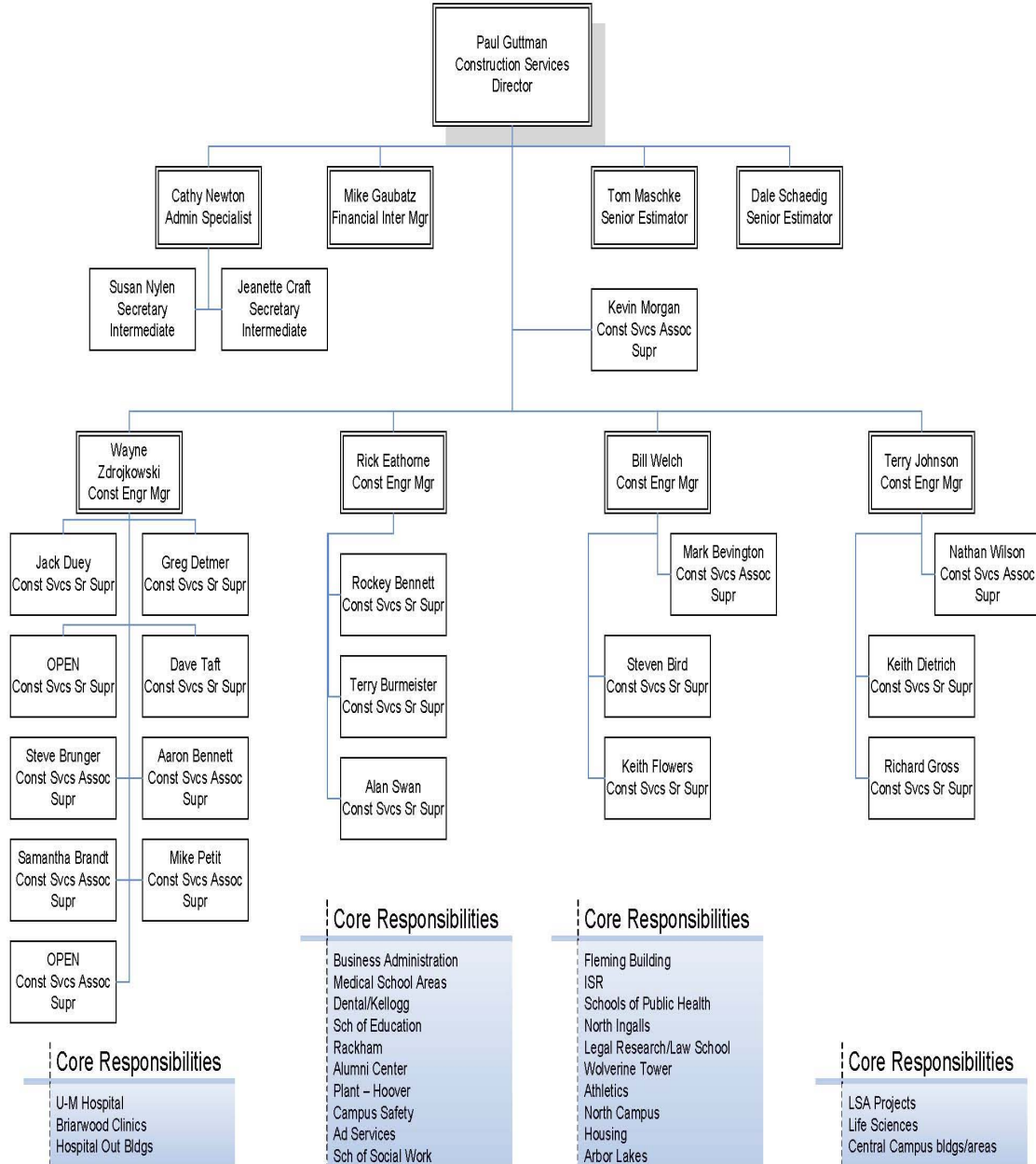
The coming year will bring along a new set of issues and challenges. Change requires us to constantly improve the services we provide to our customers so that we continue to provide the best value to them. In the economic times we face our customers have less money to spend and they are very conscious about how they allocate these dollars. We need to continue to work hard and smart every day to continue to earn their trust.

Paul Guttman
Construction Services Director

Construction Services Organization Chart

Construction Services
Organizational Chart

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FY 07 Financial Summary

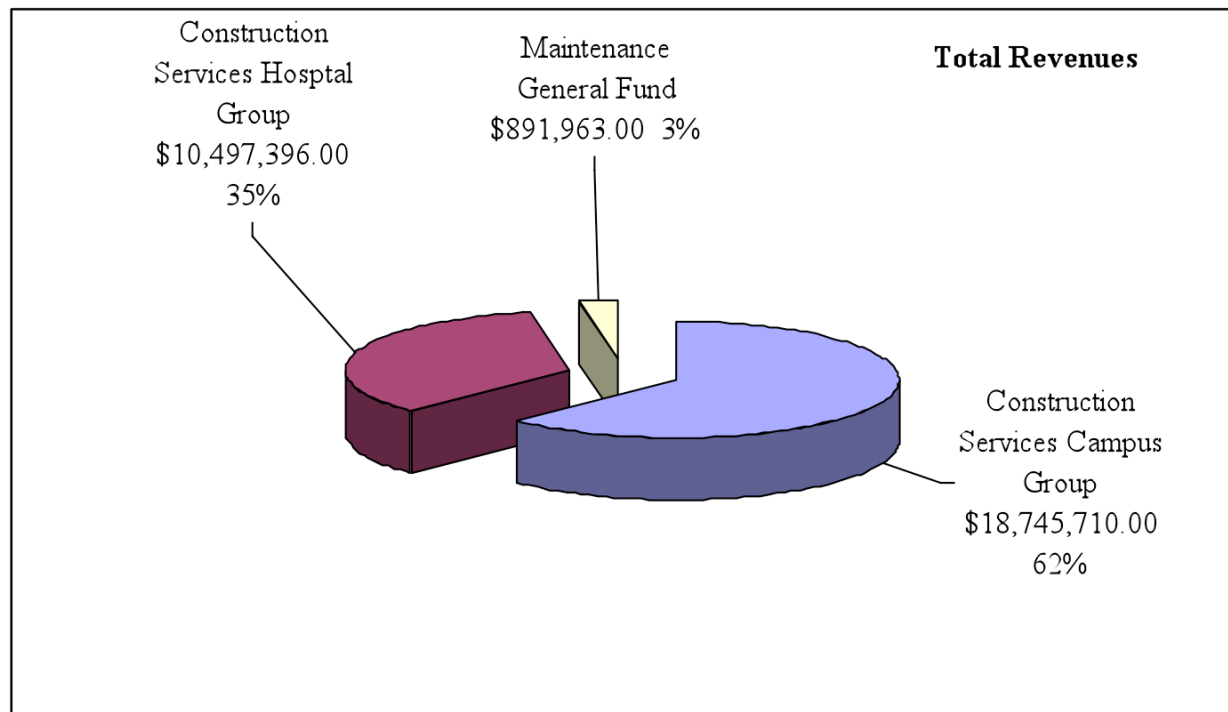
FY 2007 was a significant year financially for Construction Services. Positive Fund Balances exist in Fixed Price and total Enterprise Programs. The Enterprise Fund Balance moved from a positive position of **\$212,794** to a positive position of **\$179,344**.

Due to a long term deficit in the Engineered Fixed Price Program (12134), a significant deficit was increased by several project over-runs, warranty work, interest paid to UIP (net losses totaled \$234,077). Margins are small in this Program and it is not likely that the negative UIP will be eliminated for many years. All other Fixed Price Programs had revenue for the year of **\$96,488** and have positive fund balances (Total: **\$300,303**). The net loss for the Fixed Price Programs was **(\$137,589)**.

Overall, revenues for FY 2007 were **\$30,059,208** vs. **\$31,167,486** for FY 2006. This is a **decrease** of **\$1,108,278** or **3.5%**. Expenses were \$29,954,672 for FY 2007 vs. \$30,759,652 for FY 2006. This is a decrease in expenses of \$804,980 or 2.6%. Hospital Shop revenues declined to \$10,497,396 for FY 2007 vs. \$14,369,595 in FY 2006. The other CS Shops had an increase in revenues to \$19,637,673 (including MGF) for FY 2007 vs. \$16,797,891 (including MGF) in FY 2006. Overall Fund Balance decreased by \$33,450.

The Dumpster Enterprise started FY 2007 with negative balance **(\$35,581)** and ended the year with a positive balance of **\$10,838**.

The following Chart represents the major breakdown of Revenues for FY 2007:



**Construction Services
FY2007**

	YTD	YTD	Monthly Budget	Variance	Variance
	2007 June	2006 June	2007 June	From Prior Year	From Budget
Beginning Fund Balance	212,794	(427,854)	212,794	640,648	0
Revenue					
Investment Transactions	(274)	(11,489)	(12,000)	11,215	11,726
Recovery from Rebill	30,059,482	31,178,975	31,589,069	(1,119,494)	(1,529,587)
Total Revenue	30,059,208	31,167,486	31,577,069	(1,108,279)	(1,517,861)
Compensation & Benefits					
Base Salaries	8,604,713	8,182,907	8,789,150	(421,806)	184,437
Non-Base Compensation	556,494	643,617	586,250	87,123	29,756
Temp Salaries	634,920	648,945	511,000	14,025	(123,920)
Flat Rate Benefits	1,170,882	1,037,332	1,125,500	(133,550)	(45,382)
Variable Rate Benefits	1,825,000	1,766,561	1,934,700	(58,439)	109,700
Benefits	2,995,882	2,803,893	3,060,200	(191,989)	64,318
Subtotal Compensation & Benefits	12,792,009	12,279,361	12,946,600	(512,648)	154,591
Other Expenses					
Equipment over 5,000	17,277	15,740	20,000	(1,537)	2,723
Cost of Goods Sold	92,943	(4,107)	0	(97,049)	(92,943)
ITD Labor Billings	0	0	0	0	0
Consulting	60,127	280	0	(59,847)	(60,127)
Other Computing Services	5,934	21,949	11,700	16,015	5,766
Communications	30,322	30,966	30,350	644	28
Computers, Copiers, Fax	10,090	6,526	2,500	(3,564)	(7,590)
Inventories	19,366	0	0	(19,366)	(19,366)
Insurance	334	500	500	166	166
Overhead Recharge	1,292,904	1,302,312	1,292,892	9,408	(12)
Travel	9,593	6,588	8,300	(3,005)	(1,293)
UM Transportation	346,047	297,605	281,450	(48,442)	(64,597)
Conferences & Training	60,183	33,022	22,000	(27,160)	(38,183)
Postage and Courier	752	883	1,320	131	568
Hosting Related Exp.	4,912	2,774	2,500	(2,139)	(2,412)
Rental and Storage	19,935	10,041	9,100	(9,894)	(10,835)
Memberships, Dues and Subs	176	2,682	425	2,506	249
Printing	9,749	9,258	10,350	(491)	601
Utilities	0	(8)	0	(8)	0
Plant Rebilled Labor & Material	252,142	152,126	112,000	(100,016)	(140,142)
Plant Operations Maint. Materials	12,363,530	14,737,604	14,951,000	2,374,074	2,587,470
Other Supplies and Materials	2,029,994	1,534,763	1,344,836	(495,231)	(685,158)
Other Expenses	536,353	318,784	400,020	(217,568)	(136,333)
Subtotal - Other Expenses	17,162,663	18,480,291	18,501,243	1,317,628	1,338,580
Total Expenses	29,954,672	30,759,652	31,447,843	804,980	1,493,171
Net Income before Transfers	104,535	407,834	129,226	(303,299)	(24,691)
Net Expense Transfers (in)	137,985	(232,814)	396	(370,799)	(137,589)
Total Transfers	137,985	(232,814)	396	(370,799)	(137,589)
Net Change After Transfers	(33,450)	640,648	128,830	(674,098)	(162,280)
Ending Fund Balance	179,344	212,794	341,624	(33,450)	(162,280)

Year-End Operational Highlights

Vision 2012 Focus Areas:

Customers:

- ❖ Continued a Service Level Agreement with Recreational Sports to better serve their needs.
- ❖ Several large projects requiring major coordination and cooperation with customers were tackled this year. Noteworthy are the Hospital Riser Project.
- ❖ The unit continues to expand reporting tools to better inform customers of costs and status of projects.

Financial:

- ❖ Active participation in the Procurement Business Process Team to improve purchasing of project materials.
- ❖ The Fixed Price Programs ended the year with a positive Fund Balance of \$300,303.

Internal Business Processes:

- ❖ Continued the partnership with Procurement to improve pre-billing on CS projects.
- ❖ Increased audits on Work Request material charges.
- ❖ Continued communications with PPAPPO has resulted in fewer time reporting errors and more timely correction of errors that do occur.
- ❖ Other active projects include: Project Estimating Improvement, Project Close Out Procedures, and Billing Improvement Procedures.

People:

- ❖ Plant Academy Graduates: Michael Folk, Jack Duey and Michael Petit.
- ❖ Continued the Crucial Confrontations Training Program through the Labor Management Council to enhance employee relations.
- ❖ Continued to expand training opportunities for labor and management staff to improve general and specialty skill sets.
- ❖ F & O Fall Fitness “Charity” Challenge Team “*Hearts under Construction*” finished 1st. Team member included: Kevin Morgan, Paul Guttman, Mary Diskin Mike Folk, Dale Schaedig, and Alan Swan.
- ❖ Continued quarterly all-staff meetings to facilitate department-wide information exchanges.
- ❖ Continued and expanded use of the “*In the News*” bi-weekly newsletter.

- ❖ Construction Services is proud of the outstanding Silver Arrow and Attendance award winners in the unit.

Attendance	Silver Arrow	Silver Arrow
Greg Bell	Tami Brown	Rodney Lotz
Greg Detmer	Jamie Bruce	Kenneth Lynn
Alfred Drewery	Robert Burch	Dan McCready
Rick Eathorne	Terry Burmeister	Jason Miller
Richard Felker	Mark Carpenter	Juan Morton
Mike Gaubatz	Timothy Carroll	Edward Musser
Kurt Groeneveld	Thomas Chenoweth	Steve Nonnenmacher
Paul Guttman	Mark Collins	Donald Osugi
Chris Heilmann	Roger Cornell	Jerome Pankey
Terry Johnson	Douglas Cousino	Michael Petit
Mark Leighton	Mary J. Craft	Gary Pollock
William Love	Kevin Davis	Rory Poszywak
James Mayo	Alfred Drewery	Edward Ptaszynski, Jr.
Cathy Newton	David Enz	Michael Ramsden
Jerome Pankey	Greg Feight	Philip Reed
Phil Reed	Richard Felker	Brent Rice
Dale Schaedig	Keith Flowers	Steven Roberts
Paul Snyder	Michael Folk	Mike Robertson
Don Vail	Karen Freeland	Marty Rowe
Mark Wawrzaszek	Jim Gabor	William Simpson
Bill Welch	Gino Gabriele	Paul Snyder
Wayne Zdrojkowski	Steve Greca	Patrick Thornsberry
	Rodney Greene	Donald Vail
Silver Arrow	Richard Gross	Daniel Waters
Steven Aber	Steven Hackbarth	Mark Wawrzaszek
Anthony Allain	James Hadden	William Welch
Patrick Baker	David Hawks	Frederick Wenner
Bob Baldus	Thomas Hoffman	Frank Williams
Jeffrey Barber	Mike Hornyak	Nathan Wilson
Dan Beaster	Kevin John	
Greg Bell	Terry Johnson	Supervisor Leadership
Rockey Bennett	Linda Kardia	Michael Folk
William Berry	Wayne Keeling	Michael Petit
Mark Bevington	Robert Kennedy	Jack Duey
Steven Bird	Jason Klein	
John Bowdish	Edward Laski	

Sustainability:

- ❖ Construction Services continues to work with Grounds & Waste Management Services to reuse and recycle construction and demolition waste. This program will continue as projects are identified that are well suited for this activity.
- ❖ The unit continues to work with OSEH to minimize and/or eliminate the use of volatile and hazardous materials in construction operations.

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