

# SMAC NEWS

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By Ron Magnus



## CONTRACTORS PREVIEW THE YEAR TO COME

With the calendar now flipped to 2019, SMACNA caught up with some of our members to discuss the year ahead for sheet metal and air conditioning contractors. Despite the volatility in the stock market and mounting concerns about the potential for a broader economic slowdown, participants expressed enthusiasm about some of their major projects and the outlooks for their sectors. They also identified key trends to keep an eye on in the coming year.

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## Networking: A Path to Unprecedented Opportunities

There are many pathways to getting involved in SMACNA. For me, it was my father who signed me up for the Business Management University. There I found incredibly relevant and high-quality content taught by top-notch industry professionals. Interesting observation though, I found that networking with my fellow students was equally important as the business curriculum we studied.



Early on, I also realized the value that chapter executives can provide to members by making connections and introductions to other members.

A savvy chapter executive will take a new member under their wing and get them plugged into their first meeting or committee. It's a win-win situation where the new member benefits from the collaboration and development of professional networking contacts, and SMACNA benefits from the new person's industry perspective.

SMACNA national offers one of the biggest opportunities to get involved and lead – from leading a meeting to leading your company. I have found SMACNA provides well-thought-out educational tracks to be the best contractor possible using a combination of education, training, and networking. I urge everyone to make the first move by getting your peers engaged directly with SMACNA national.

I happen to be very comfortable in front of people, but I realize there are those that may not follow this path. For them, SMACNA's online community, SMACNA Connect is a perfect path to engage other members across the country. It offers a variety of networking opportunities via discussion groups where members can ask questions, share business concerns, and even build their own personal network.

I can attest that networking and involvement in SMACNA provides more value than any investment made and can give a contractor a competitive advantage through every stage of their career. For me, it has increased my knowledge of how I run a business and has made my business more successful. It has given me an unprecedented opportunity for growing and giving, and this is something I urge every member and chapter executive to experience.

There are so many ways that contractors and their employees can get involved in SMACNA. I would encourage each and every one of you to find an area of SMACNA in which you can get involved. As an organization that is predominantly run by volunteers, I would urge each of you to get involved with committees or task forces, or even the SMACNA Board of Directors. Look at the avenues SMACNA has available and determine whether you or an employee can become active. You will not regret it, I assure you.

Even though it is personally rewarding for me to share the abundant resources and innovative ideas that come from being a SMACNA member, I cannot overlook the fact that my wife Shannon and I have made some lifelong and cherished friends through this connection. I am now fortunate enough to have a platform where I can share my earned wisdom, so please get involved.

Sincerely,

A handwritten signature in black ink that reads "Nathan L. Dills".

Nathan L. Dills  
SMACNA President



### CAPITOL HILL UPDATE

#### Legislation to Watch in the 116th Congress

With the 116th Congress convening in early January, several unfinished legislative priorities for SMACNA firms remain on the agenda. Each of the issues has bipartisan support, which is key with congressional control being split between parties.

The 115th Congress came to a close at the end of 2018 with victories for SMACNA on energy, tax extenders, FAA reform, and airport infrastructure. While these successes were significant, Congress left a great deal of top-priority legislation unfinished. SMACNA will continue to press for action on this unfinished work in 2019.

#### Multiemployer Pension Plans

While SMACNA is not expecting the Joint Select Committee on Solvency of Multiemployer Pension Plans (JSC) to be reconstituted in 2019, efforts to help participants in failing plans and to address Pension Benefit Guaranty Corporation (PBGC) funding issues will continue. Importantly, the bipartisan sponsors of the 2018 GROW Act to authorize composite plans are also committed to continuing their efforts. New House Ways and Means Committee Chair Richard Neal (D-1st-Mass.), who sponsored a House bill in the last Congress to

provide funds to bail out the failing plans, introduced a similar bill in early January. Although key members of Congress and staff at Ways and Means are familiar with composite plan design, new members and staff will need to learn about the issue.

The failed JSC effort not only stalled SMACNA's separate effort to enact composite plans, but also served as a warning that going forward there will be Republican efforts to include tighter funding rules for multiemployer plans in any pension reform efforts. SMACNA will encourage Congress to take prompt action to modernize the multiemployer pension system by authorizing the hybrid composite plan model, making sure any Congressional action to tighten funding rules does not deepen the current crisis with unintended consequences and continuing to ensure that any PBGC premium increases are warranted and effective. SMACNA will be working with other construction employers to ensure that Republicans and Democrats understand that the viability of contributing employers is key to stabilizing the multiemployer defined benefit system.

#### Change Order Reform Expected to Advance

SMACNA contractors, chapters and staff lobby-





ists took a lead role in the last Congress in expressing support for The Small Business Payment for Performance Act of 2017, H.R. 2594. The bipartisan legislation would make reforms to quickly and fairly resolve change order disputes. The bill's two co-sponsors, Rep. Brian Fitzpatrick (R-8th-Pa.) and Rep. Stephanie Murphy (D-7th-Fla.), have committed to reintroducing this bill in 2019 with high expectations for passage.

#### **SMACNA Endorses Bid Listing Legislation**

Late in the 115th Congress, Rep. Scott Peters (D-52nd-Calif.) introduced a bill to reduce bid shopping and ensure that the federal government gets quality subcontractors on construction contracts. The Stop Unfair Bid Shopping (SUBS) Act, H.R. 7221, would require general contractors on projects valued at \$1.5 million or more to list as part of their original bid subcontractors that are proposed to perform work valued at more than \$100,000. Rep. Peters promised SMACNA members during the annual convention held in San Diego in October that it would be a priority in the 116th Congress.

#### **Additional Tax Incentives for HVAC Efficiency**

SMACNA worked in 2018 to enact a tax extenders package as part of

*continued on page 14*

## **Top Trends for 2019: Increased Use of Technology, Innovation**

In a world where tech creations are constantly changing the way people live and work, the construction industry has generally been slow to adopt new digital technologies.

According to the MGI Industry Digitization Index, which measures how companies in a sector are using digital business processes, construction ranks second-to-last in digitization, just ahead of agriculture and hunting. Many entrepreneurial businesses, including SMACNA associate members, see this statistic as an opportunity to help the construction industry realize increased productivity, higher profits and better safety through new digital tools. So, it's not surprising that the SMACNews top trends for 2019 are technology heavy.

A web search for "construction" or "HVAC trends" for 2019 will likely generate familiar results. Prefabrication, BIM (building information modeling) and green technologies, for example, have been evolving for years, with an increasing number of sheet metal and HVAC contractors successfully integrating new practices/tools into their operations. Less common construction trends that are attracting a lot of internet chatter include the use of artificial intelligence, drones, augmented reality and robotics. While such high-tech innovations can be intimidating, technology is

reaching farther into all aspects of the construction industry. It can't be ignored.

Representatives from three industry businesses shared their thoughts with SMACNA on what to expect this year. This is not a comprehensive list, but rather a brief look at a few topics to note for 2019.

#### **Seamless Integration**

Detailing software programs have been around for some time, but programs such as Trimble's SysQue, East Coast CAD, and DD3D are now extremely robust and easy to use.

"They are no longer a remedial product," said Mike Bailey, vice president of sales for Mestek Machinery, a SMACNA Premier Partner, which designs and manufactures metal forming solutions for HVAC sheet metal ductwork fabrication. "Detailing software has evolved to a point where it is a lot more dependable."

Bailey said current software products can take information from a set of digital plans and streamline the fabrication process by providing seamless interaction among staff and across disciplines. The software takes dimensions and data and downloads them to computers. That allows for specs to be easily shared from the initial shop drawings all the way to the computer-aided manufacturing,

including coil lines, plasma cutters, and spiral equipment.

"The benefits include better utilization of materials and less input time," Bailey added. "You get greater output with less chance for human error."

#### **Good News on Labor Challenges**

The challenges of attracting new employees will continue through 2019, but there are a couple of trends that should encourage SMACNA firms. The first is an uptick in the hiring of women in the construction industry.

"The number of female construction professionals will continue to increase in 2019," said Kayla Rockwell, director of marketing at project management software company and SMACNA Silver Associate Member Rhumbix. "Women are represented in more middle management roles than ever before, allowing opportunities for executive positions as the previous generations retire."

This may seem like a non-tech trend. However, SMACNA and other organizations will continue to make workforce development resources available to contractors struggling to fill positions, and many of the new recruiting tools are being developed for digital platforms such popular social media services.

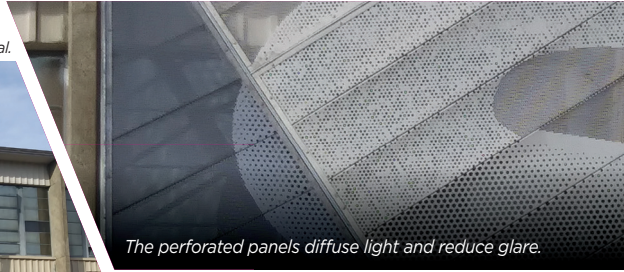
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Photos courtesy Carlson Sheet Metal.



Carlson Sheet Metal's custom sunscreens.



The perforated panels diffuse light and reduce glare.



Minneapolis-St. Paul Airport parking garage by MG McGrath.

Photo courtesy MG McGrath.

# Architectural Contractors Start 2019 with Custom Projects, Solid Outlook

**T**he new year is already off to a good start for some SMACNA architectural contractors.

At Carlson Sheet Metal Works, which is headquartered in Spokane, Washington, president Brian Fair expects 2019 to be a profitable year.

"I think business will be strong and we will duplicate last year's success," he said. "New custom homes are being built here, as well as commercial projects."

Likewise, Sam Fuller, a senior project manager with Central Industrial Sheet Metal Works Inc. in Kansas City, Missouri, also predicts success for his employer in 2019. The company already has several accepted bids that are just waiting for purchase orders. They include one for a 54,000-square-foot commercial building. "We're forecasting a pretty good year," he said.

Both companies find themselves engaged in intriguing custom projects at the start of 2019.

## A Challenge in Spokane

Carlson Sheet Metal is ringing in the new year by working on

what Fair calls a "really fun," but challenging, project for Spokane Community College (SCC). The school is restoring and beautifying several buildings on campus. The architect for the project is NAC Architecture, and the general contractor is Graham Construction.

"Our contract is to build custom sunscreens — 29 of them — that will run down the side of a building," said Fair. To understand the project, "envision it like a road over a deck, with a concrete finish," Fair explained. The work incorporates existing Art Deco-like details from the 1970s and will include aluminum composite (ACM) panels.

"These are perforated stainless steel, 18 feet, seven inches tall by 11 feet, four inches wide. The base is eight-inch slab concrete," he said.

Six of the panels are unique in featuring special perforations for diffusing light into the building and reducing glare. The panels will spell out "SCC" and be lighted at night.

Carlson has divided the project into four options for the client to choose from. "We installed a pro-

TOTYPE and are building a frame of 3/8 steel plate at a formed angle.

Basically, we're making two triangles for each piece that we will bolt together," Fair said. A one-piece design would be too large to fit in a galvanizing tank. Carlson will shear and form 90 sheets that are about 16 inches wide for rigidity against wind.

"Electrolysis between the stainless steel and galvanized metal is very high, so they can't touch anywhere, but we wanted to include both for longevity," Fair said. Perforated sheet metal cannot be galvanized because the heat level would lead to rust over time.

## New Work in Maplewood

At M.G. McGrath, Maplewood, Minn., the year is starting strong, with the company finishing up work at the Chase Center in San Francisco and "getting going" on a major new project for Nike. The Nike project involves "all the exterior metal and glass, with custom gold finish and expanded metal," said President Mike P. McGrath. The exterior consists of aluminum sheets with slits that are pulled

apart to "pick up light differently," he explained. "It's a very light and airy design."

"We feel good about the work we have in hand," McGrath said of his outlook. "We're seeing less work, more competition, and reduced profit margins," he noted. "Business is stable, but there's less demand than in the past six years or so."

## A Positive Sign in Kansas

Meanwhile, Central Industrial is kicking off 2019 with a custom sign project for the city of Overland Park, Kansas, a suburb of Kansas City.

"This is a stone and ornamental metal sign that will be backlit, and we might get to do three more once this one is done," said Fuller. "We're working with GBA, an engineering firm that started its own general contracting company so they can hire project managers and do things like this on their own."

The sign should be installed in the next three to four weeks, Fuller noted.

The relationship with GBA contributes to Fuller's positive outlook for Central Industrial. "That creates opportunities for sheet metal companies — it's a neat niche to be working directly for the client," he said.



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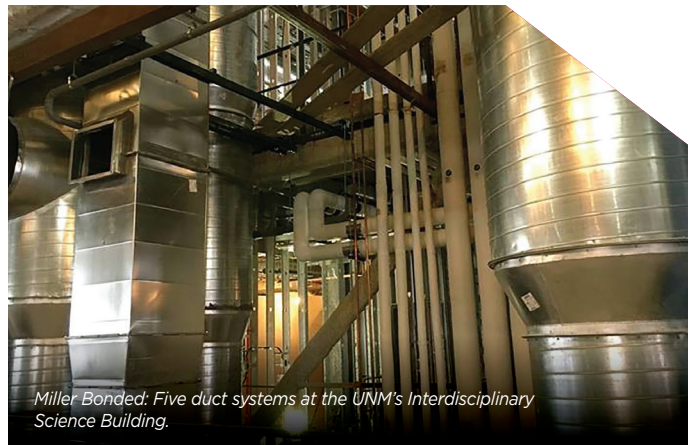




*Poynter Sheet Metal: Criminal justice campus in Indianapolis.*



*Miller Bonded: Round and rectangular ductwork at UNM's new science building.*



*Miller Bonded: Five duct systems at the UNM's Interdisciplinary Science Building.*

# New Year Brings Inspiring New Developments

**S**MACNA HVAC contractors are excited about 2019 and the construction opportunities they see ahead.

Keith Wilson, CEO of Miller Bonded, is optimistic about a Facebook data center in development in Los Lunas, not far from Miller Bonded's headquarters in Albuquerque, New Mexico. Its presence may "attract other similar companies to come in and build in the same corridor," he said. Netflix has also committed to opening a production hub in Albuquerque.

Miller Bonded also has some significant projects in progress. It is working with Central New Mexico Community College on a joint-use facility with Albuquerque public schools.

And at the University of New Mexico, the company is working on the Physics and Astronomy Interdisciplinary Science Building.

But with opportunities also come challenges. "One challenge is the schedule," Wilson noted. "Everything's more compressed now, with more of the trades working on top of each other. The other thing that's happened in New Mexico has been the loss of qualified, skilled manpower."

### **Chula Vista Bayfront Project Gets Underway**

Randy Ayers, San Diego division manager with Control Air Conditioning Corporation in San Marcos, California, is excited about his team's contribution to the Chula Vista San Diego

Bayfront project. Public infrastructure improvements associated with the \$1 billion waterfront development are expected to begin in early 2019.

"Control Air Conditioning and our Sheet Metal 206 workers are inspired to be part of the Chula Vista Hotel and Convention Center development," Ayers said. "Our pre-construction team is contributing toward the permitting effort with forecasted construction work lasting through 2022."

"The Chula Vista Bayfront redevelopment brings recreation, ecological, and commercial developments for the community," Ayers explained. "The beautiful San Diego Bay — what better location to redevelop for a special vacation with the family or resort



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destination for travelers? This project is just one of many great projects moving forward in the San Diego region which leads off 2019 in the right direction."

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## Confident Consumers Still Willing to Spend on HVAC Enhancements

In the St. Louis market, the big topic of conversation in the world of heating and air conditioning is programmable thermostats, according to Paul Heimann, the controller of Welsch Heating and Cooling Company and the incoming chair of the SMACNA National Residential Contractors' Council Steering Committee.

Not just programmable thermostats, but Wi-Fi-enabled programmable thermostats. Other customers are looking at purchasing geothermal units to take advantage of tax incentives, according to Heimann.

"We're finding that they're doing their due diligence, researching things before they buy and becoming educated consumers," he says. "They're doing their homework now before going out and buying another furnace and air conditioner for the house."

Market signals suggest the HVAC industry should prepare for U.S. consumers to make plenty of those kinds of well-researched enhancements and refurbishments to their residential units in 2019.

### Spending Holding Strong

The stock market volatility of 2018 has done little to shake consumer confidence. The University of Michigan Index of Consumer Sentiment, a monthly measure of consumer confidence based on a survey of residents of the continental United States, in 2018 produced its highest yearly average since 2000. Consequently, economists are anticipating consumers will have no problem opening up their wallets this year. The Conference Board, a business think tank, is projecting real consumer spending will grow 2.9 percent in 2019.

A chunk of those purchases are expected to go into home improvements. Residential construction research firm Metrostudy is forecasting that remodeling activity will grow roughly 3 percent in 2019. The firm projected that the number of home improvement and replacement projects worth at least a thousand dollars hit 12.6 million across the U.S. in 2018.

According to an April 2018 nationwide survey conducted

by HomeAdvisor, a website that refers homeowners to local service providers, homeowners spent an average of nearly \$7,000 per household in the previous year on home improvements. The survey found that approximately two-thirds of homeowners intended to spend as much or more on home improvements in the following 12 months. HomeAdvisor data showed that servicing, installing or repairing an air conditioner was among the most popular projects in the past year, with an average national cost of \$261.

### Preparing for a Downturn

In addition to enhancing customers' HVAC units, Heimann says Welsch still sees solid demand for new installations. "We still believe that there's a little pent up demand for people replacing air conditioners," he says. "We had a really big building boom in St. Louis 20 to 25 years ago, and we're still replacing a lot of those units. You can't repair those anymore."

Tom Piscitelli, on the other hand, is starting to look ahead to

what will happen when the economy slows down. As founder of TRUST® Training and Consulting, Piscitelli coaches HVAC sales professionals. He says slowdowns create a shift in demand from replacing air conditioning systems to repairing them.

"The service department becomes even more important than it has been," he notes. "We're going to have a need for even more technicians in the next several years as the demand for repairing kicks into a higher gear."

The problem for service and replacement contractors, according to Piscitelli, is that as new construction has boomed in the hot economy, available workers have flocked to installation projects. That has resulted in a dearth of trained service technicians.

Meanwhile, residential construction activity is starting to slow. According to construction economics analyst Ed Zarenski, residential construction spending is projected to hold steady at \$564 billion in 2019 after seeing double-digit gains in 2016 and 2017 and a growth rate of 6 percent in 2018.

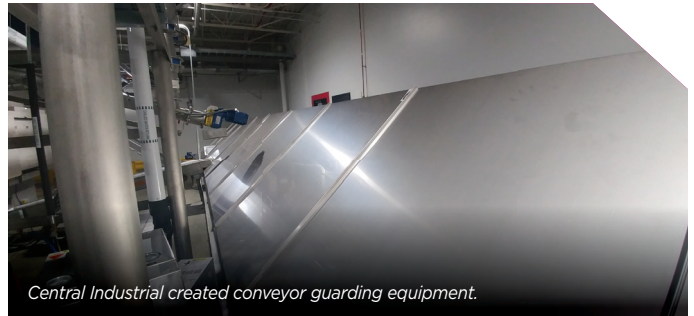
As new construction projects decline, many installation workers will be looking for jobs. That creates an opportunity for service contractors to recruit and train them as new service employees, according to Piscitelli, and raises the need for an effective sales force.

"When the economy gets tighter, consumer optimism wanes," Piscitelli says. "It becomes more challenging to sell a replacement system, so it puts even more onus on the service department's shoulders — not just when it comes to repairing an air conditioning unit, but talking about the benefits customers could get from replacing it. Every single lead is a big deal to a contractor, but it's going to be much, much more important here in the next couple of years."





Central Industrial fabricated stainless steel tanks.



Central Industrial created conveyor guarding equipment.



H.T. Lyons custom fabricated hoods and exhaust systems.

# New Opportunities and Industry Growth in 2019

**S**MACNA industrial contractors are confident this year promises to be a positive one for the industrial sector with large-scale capital projects, more design/build work, and industry growth.

SMACNA member H.T. Lyons of Allentown, Pennsylvania, is nearing completion on a pharmaceutical research and manufacturing facility in eastern Pennsylvania. "We are working with a multinational pharmaceutical company and a top construction manager for a facility that will produce millions of vaccines each year," said Roeland Hoeke, president of H.T. Lyons.

"Because this is a process-intensive building, H.T. Lyons as the mechanical contractor worked with the construction manager to prepare a 3D CAD model to coordinate between all the trades before the start of any fabrica-

tion," Hoeke said. "There are 16 large air handling units, 37 exhaust fans, and a significant amount of process equipment. Lyons fabricated and installed over 400,000 pounds of sheet metal, with 25 percent being fully-welded stainless steel duct. The sheet metal installation work began in August of 2017 and will be substantially complete in February."

Members see growth in a wide range of industries. "H.T. Lyons industrial customers include chemical plants, pharmaceutical, breweries, foundries, manufacturing plants and power plants," said Buddy Kide, industrial general manager for H.T. Lyons.

"We also fabricate, install, and maintain the systems that exhaust toxic, carcinogenic fumes like hexavalent chromium out of power plants during their shutdowns. This also allows the welders to work safely," he said. On one such project, H.T. Lyons engineers

designed the custom fabricated hoods and exhaust systems that exhaust toxic fumes during the industrial process for a metal refining company in Pennsylvania.

### More Projects Planned

"Many of our customers are planning large capital projects in the industrial area," said Sam Fuller, senior project manager for Central Industrial Sheet Metal in Kansas City, Missouri. "These are usually design/build, which gives us a decent profit margin while saving time and controlling costs for clients."

Central Industrial is laying the foundation for future growth by identifying and solving current issues. "One of our 2019 challenges is finding enough manpower," Fuller said. "I joined the recruiting committee to have more influence on new apprentices. We're reaching out to rural areas and recruiting at technical schools,

bringing in people who might not know about our craft."

Wage increases and the rising cost of materials also put pressure on contractors to cut other costs. "I'm helping our school increase lean construction training," Fuller said. "We have

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# CONTRACTORS PREVIEW THE YEAR TO COME

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## **Guy Gast** President, Des Moines Division The Waldinger Corporation

*The Waldinger Corporation is a mechanical, electrical, and sheet metal contractor based in Des Moines, Iowa. It also has offices in Wisconsin, Nebraska, Missouri and Kansas.*

In our part of the world, the emphasis continues to be on fairly large infrastructure and health care facilities. One of our largest projects is the Children's

Hospital & Medical Center, a medical facility in Omaha, which is an integrated project delivery model. We have another project for one of the biggest hospitals in Des Moines, the initial stage of which is a central plant to serve new towers.

We are actively engaged in several mission-critical data center projects. We see several significant ones coming, so we're looking forward to expanding our footprint in the mission-critical area.

What I don't see is the same amount of federal, state, and regional government spend-

ing. My sense is that the state governments are challenged, budget-wise. The federal government has withdrawn some from large-scale spending in our part of the world.

I'm a little concerned that the cost to the customers has gone up as the availability of labor has gone down and the cost of labor and overtime has gone up. Growth of materials costs also have been accelerated. I have seen it in play in local markets where clients have said, "Wow, we're going to have to take a time out; that was not what we expected the price to be."

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## **Jim Morgan** President/CEO Worcester Air Conditioning LLC

*Worcester Air does sheet metal contract work for commercial and industrial projects throughout Massachusetts and eastern New England.*

We are very fortunate in Boston to have a robust construction market overall. That market is driven by building for prominent universities and colleges, as well as laboratory projects and office and residential high-rises.

We're currently involved with a project for Sanofi in Framingham, Massachusetts. It is a laboratory and drug manufacturing facility. We're also working on an office and laboratory building for one major university. Additionally, we're working on the construc-



tion of a biolaboratory for another school.

The Seaport section of Boston is the most active area for development in the city, and it borders the financial district on one side and the harbor on the other side. There are substantial building projects for a variety of companies going on there.

For example, the new General Electric Co. headquarters building under construction is one of our projects in the Seaport right now. There are several hotels and multiple restaurants being built right now. There are multiple 20-plus-story towers of office and residential buildings that are all under construction simultaneously in the neighborhood.

We are confident that 2019 will be a good year, and early indications for 2020 are that the market will continue to be strong.

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### **Curtis Harbour** Senior Vice President The Brandt Companies LLC

*The Brandt Companies offer full-service solutions as a single provider to large and complex as-*

*set construction and management projects across the state of Texas.*

Trends in construction in Texas have been interesting because each market is so different.

In north Texas, we're working on health care projects and large entertainment venues along with some high-rise, multi-use projects.

In Austin, we're mainly doing "downtown-type" work: high-rises, hospitality projects, corporate headquarters and multifamily buildings. Apple has announced a substantial manufacturing facility in Austin, so I think Austin is going to continue to be very strong with high-tech work. That is going to continue to drive population growth and infrastructure.

San Antonio has seen more health care and data center building. Assuming that oil prices and energy prices don't continue to hold the Houston economy at bay, Houston is showing signs of picking up. I know there are a lot of health care projects being planned there now.

Overall in Texas, larger and larger hospitality and health care projects in suburban communities continue to be popular.

For sheet metal and air conditioning contractors as a whole, we really need to be pushing new delivery methods, early involvement, and more assistance in designing and building. I think those alternative delivery methods provide much better opportunities for profitable work, rather than the traditional design-and-build process.

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### **James E. Hall** President and Owner Systems Management & Balancing Inc.

*Headquartered in Waukeg, Iowa, Systems Management & Balancing provides independent testing of heating, ventilation, and air conditioning systems.*

In the Des Moines area, we have a lot of the mega-data center companies that are building new facilities and adding on to their existing data centers. I'd say we're blessed and cursed with the influx of the data centers right now.

These data centers have created opportunities for our

company as well as sheet metal and HVAC contractors. But they have also challenged the marketplace because of the labor pool resources that they're eating up and the lack of infrastructure that is developed to support them.

You'll build these large data centers, but they're not employing many people, so you don't have trail work behind them — housing, restaurants, movie theaters, et cetera.

It just creates sort of a skew: There is a lot of data center work coming in, there is a lot of dollar volume coming in, but once these are finished, you don't have a lot of trail work behind it.

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### **Matt Cramer** President Dee Cramer

*Dee Cramer is an HVAC/sheet metal construction firm headquartered in Holly, Michigan.*

In Michigan, we've seen a resurgence in hospital work and surgery centers. Hospital system McLaren Health Care has a number of projects coming out in 2019.

We also have a decent amount of university work going on right now. We've kicked off projects at Saginaw Valley State University and University of Michigan in Ann Arbor, and we're in the middle of new building projects at Eastern Michigan University and Michigan State University.

And believe it or not, Michigan voters passed a marijuana legalization law in our last election cycle. A number of growing facilities are being talked about now, and we're working on the design for some of them.

There has been a lot of good work available in Michigan, but it's interesting in so far as bidding has been feast or famine at times. It's going to be a busy year, but I do have some concerns about what

Photo courtesy Musashi1600.



The first trainset for the planned Honolulu Rail Transit project in Pearl City, Hawaii.





Work on the HCA Medical Center in Plano, Texas, by the Brandt Companies is scheduled to be completed in the third quarter of 2019.

We are working on the John Jeffries Hotel, which combines a new four-story building and a renovation to an existing one. We're doing a sizable project for Shire Pharmaceuticals in Lexington, Massachusetts. We're also in the final negotiations for a five-story renovation of building that has been gutted right across from the Millennium Tower in Boston.

There does seem to be a lot of work out there — a lot of projects of various sizes going on. However, the competition in the Boston area is very intense. The general consensus is that there are a lot of cranes in the city, and we're near full employment.

But if you polled the business owners and project executives I have spoken to, the market doesn't seem to have come up commensurate to the amount of work that appears to be out there. I feel cautiously optimistic about the future. We're looking for 10 to 12 percent growth in revenue this year over 2018.

My biggest concern, and it is one that I have heard expressed across the industry, is the ability to attract and retain qualified workers — training, the lack of specialized skills. We're trying to get that in a headlock so we can jump out in front of it. We're meeting with different universities and trade schools locally to provide a training ground for younger people to come in and jump into the trade from different aspects.

the workload will be like for us in 2020 and 2021.

## Blake Parsons

**Executive Director  
SMACNA Hawaii**

*SMACNA Hawaii represents the management of signatory sheet metal contractors in labor relations, lobbying, public relations, and other activities to promote the industry.*

With the U.S. military continuing its pivot to the Pacific and East Asia, spending from the Department of Defense will play a major role for our contractors in 2019. The DoD also plans to invest about \$5 billion into its Pearl Harbor base over the next 20 years, so that will bring major work for our contractors.

Additionally, transit-oriented development continues to boom around the 20-mile rail system under construction in Oahu, so our contractors are benefiting from adaptive reuse and mixed-use projects.

One story I will be keeping an eye on this year is if local

government's recent commitment to streamline one of the longest-in-the-country permitting processes will bear fruit and it will help move more projects along. We will continue supporting the governor's initiative to improve classroom environments for Hawaii children, who have experienced stifling temperatures, by retrofitting classrooms with air conditioners. Lastly, we'll be watching to see how the global economy affects tourism and ultimately investment in resort redevelopment across the islands.

## Ryan O'Rourke

**Project Executive  
Holaday-Parks Inc.**

*Holaday-Parks is one of the largest mechanical contracting companies in the Pacific Northwest.*

The year 2019 looks like another good year for us. Seattle has had a booming market across different vertical markets, whether they be biotech or other technologies. Amazon, Google, Facebook are all bringing people here.

We're working on a variety of different buildings across the city. One of our major projects in Seattle right now is 5th and Lenora, a 43-story residential building near downtown. Another is 800 Columbia, which includes 287 condos in 30 stories. In Bellevue, we're working on the One88 development, a 21-story building with 143 condo units.

In terms of the work that we're doing, the energy code is really driving a lot of the equipment that we're installing. VRF air conditioning systems are very popular right now.

The Seattle market is still strong; however, there may not be as many new opportunities coming in as we have had in years past. Our outlook for 2019 is great.

## Wayne A. Greenwood

**President  
JEC Service Company Inc.**

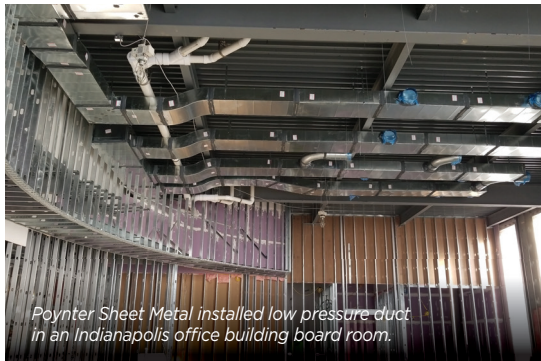
*JEC Service Company is a dedicated mechanical piping, HVAC, and sheet metal contractor servicing the greater Boston area.*



## MEMBERS

### Welcome New SMACNA Members

ACH Mechanical Contractors Inc.	Redlands, California
Cabell Sheet Metal	Ceredo, West Virginia
Kamran Metalworks Inc.	Santa Barbara, California
Sauer Group Inc.	Redlands, California



Poynter Sheet Metal installed low pressure duct in an Indianapolis office building board room.

### HVAC

continued from page 5

#### Big Job on Indianapolis Criminal Justice Center

Zach Piercy, director of project controls at Poynter Sheet Metal in Greenwood, Indiana, is particularly intrigued by two projects in the works.

Prisons and administrative offices in Indianapolis have operated in different buildings, but that is changing with the development of a new criminal justice center.

“They’re moving all those items into one large campus,” Piercy said. “Soon we’re going to have a really big job on our hands. The drawings are farther along than most traditional design/build projects, but we have an opportunity to help provide input and put our little stamp on it and do things that we do best.”

Poynter also has four large capital projects underway at Purdue University, including a STEM building, an agricultural and biological engineering building, and

a 350,000-square-foot residence hall. Piercy thinks his team is ready for the challenge.

“Internally, we’ve really been focusing on the pre-construction,” he said. “We’ve retooled our CAD software. We’ve added additional support services on the front end, with a traditional project engineer, which is something we typically never used. And we’re trying to bring a lot of that pre-work in the office so when it does come time for construction, it’s a nice, clean package.”

“We’ve removed all the questions. We’ve laid out game plans,” Piercy said. “We’ve got the schedule set, and this work coming up is going to require that, and we’re prepared for that. It’s exciting to see some of the things we’ve done to make ourselves more efficient and more streamlined, and now it’s time to apply those things. It’s exciting to get those things off the ground and running and see them come together.”

## Welcome 2019 Associate Members

### PLATINUM



### GOLD



### SILVER



**SMACNA's Associate Member program provides an opportunity for industry suppliers to build long-lasting relationships with SMACNA members, the industry's premier contractors.**

To learn more about becoming an Associate Member, visit [smacna.org](http://smacna.org) or contact Scott Groves at [smacna@naylor.com](mailto:smacna@naylor.com).



NYC SMACNA members joined Rep. Carolyn Maloney for dinner at Sardi's in New York City in December, where they talked about the economy and job growth in the construction industry.

## LEGISLATIVE

### NYC SMACNA Meets Over the Holidays with Rep. Carolyn Maloney

Representatives from the Sheet Metal and Air Conditioning Contractors Association of New York City (NYC SMACNA) joined Congresswoman Carolyn Maloney (D-12th-N.Y.) during her Holiday Weekend in December in New York City. They advocated for infrastructure investment, pension plans, and industry issues at a series of events she hosted, including a reception and an issues breakfast.

Issues discussed included national and regional infrastructure developments along with change order and contracting reforms. Rep. Maloney has been a close friend of NYC SMACNA, SMACNA of New York State, and SMACNA National for more than a decade. During her tenure on

the New York City Council, she led the effort to enact a contracting quality oversight law benchmarking the performance and quality of city contractors, an index that has been a model for federal oversight on construction contracts. In Congress she is a leader in the bid listing reform effort in the U.S. House of Representatives.



NYC SMACNA discussed construction industry concerns during a reception held at the Congresswoman's home over the holidays. Pictured (left to right): John Contrubis, NYC SMACNA, Rep. Maloney, and Sebastian Loaysa, Accurate Specialty Metal Fabricators Inc.

## LABOR

### Supreme Court Takes up Arbitration, Employment Cases in 2019

The U.S. Supreme Court began its 2018-2019 term with a handful of docketed cases significant to employers and businesses. Cases to watch involve questions on employment discrimination and class arbitration, among other matters that affect contractors.

Questions the U.S. Supreme Court will be answering include:

Whether an employment contract that is silent on the issue of class arbi-

tration can be construed in favor of workers seeking class proceedings (*Lamps Plus Inc. v. Varela*). Whether interstate truck drivers must arbitrate their federal wage-and-hour claims and whether it's the job of a court or an arbitrator to decide if a Federal Arbitration Act exemption for transportation workers applies to drivers' employment contracts (*New Prime Inc. v. Oliveira*). Whether an employment contract that is silent on the issue of class arbitration "unless there is contractual basis for concluding [they] agreed to do so." In the ruling, the Supreme Court explained that courts may not "presume" consent from "mere silence on the issue of class arbitration" or "from the fact of the parties' agreement to arbitrate."

The Supreme Court has already heard one employment-related case that posed the question of whether state political subdivisions with less than 20 employees, such as a fire district, must adhere to discrimination protections under the Age Discrimination in Employment Act of 1967 (*Mt. Lemmon Fire District v. Guido*). In an 8 to 0 decision, the Supreme Court found that state and local governments are covered employers under the Age Discrimination in Employment Act regardless of the number of employees they have.



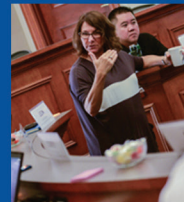
tration can be construed in favor of workers seeking class proceedings (*Lamps Plus Inc. v. Varela*).

Whether interstate truck drivers must arbitrate their federal wage-and-hour claims and whether it's the job of a court or an arbitrator to decide if a Federal Arbitration Act exemption for transportation workers applies to drivers' employment contracts (*New Prime Inc. v. Oliveira*).

These arbitration cases are of particular interest because they give the Supreme Court an

*For more information on employment law, members may visit SMACNA's Labor Relations web page [www.smacna.org/labor](http://www.smacna.org/labor).*

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# Top Trends for 2019

continued from page 3

“You need an understanding of technology, but there is help out there,” said Raymond Yeager, president and CEO of DMI Companies, an HVAC manufacturer based in Pittsburgh. Ductmate Industries Inc., a part of DMI, is a SMACNA Silver Associate Member. “Trying to do it on your own is very difficult.”

Yeager, a former SMACNA board member, recommended some SMACNA initiatives including the creation of student chapters and partnering with colleges and universities that offer construction and/or HVAC-related curricula.

## Manifolding Ductwork

This example of a prefabrication trend has actually been common practice for many years in the piping and mechanical world. Now sheet metal shops are

sealants to all transverse joints, longitudinal seams and taps, and access doors.” Bailey said. “Once delivered to the field then all you have to do is hang it per drawings. It’s a win for everybody.”

## SMACNA TRENDING TOPICS

### “Innovative programs to enhance industry recruitment and employee retention. Bargaining strategies for strong economic times.”

— Deborah Wyandt, Esq., SMACNA’s executive director of labor relations and human resources

Manifolding also allows for better control of materials and helps companies adhere to sensitive time schedules.

## Getting Smart(er)

In 2019 the demand for better connectivity and automation will contin-

industrial) want to take advantage of the benefits of new technologies featuring HVAC systems

that automatically adjust to meet demand and can be controlled remotely. Some new technologies even enable systems to self-predict maintenance issues. With so many clients adopting smart technologies, expect contractors to practice what they preach by utilizing smart technologies in their planning, design, fabrication, installation, and other operations. This includes job sites.

Companies such as Rhumbix are creating cloud-based mobile tools to expand the digital exchange environment to the field. They are helping builders go paperless in

the field and improving how they measure and manage labor productivity to be more profitable.

“Data will rule in 2019,” said Drew DeWalt, chief operating officer and co-founder of Rhumbix. “With a connected job site, owners, general contractors, and subcontractors can know daily whether they made or lost money on project sites and have visibility into the factors driving production gains and losses.”

Collected data includes information related to time and attendance, production tracking and bench-

Contractors are looking to diversify, for example, with more companies on the air side branching out and adding mechanical services. Sustainable practices and products continue to grow in popularity, proving that this ongoing trend is not a fad. Younger generations, including millennials, are attracted to green ideas, so there are likely fringe benefits for contractors who elevate their commitment to sustainability. Robotics will also attract potential employees who are younger and more tech-savvy.

## SMACNA TRENDING TOPICS

### “Priority legislative issues including pension reform, contracting reforms, infrastructure, and energy efficiency.”

— Stanley E. Kolbe Jr., SMACNA’s director of legislative and political affairs

adopting this manifolding (or spooling) practice, which results in a better product that requires less labor. Tech investments are necessary for SMACNA firms considering pre-constructing ductwork in the shop versus the field.

“A major benefit of manifolding is producing multiple duct lengths in a controlled atmosphere — installing taps and access doors along with duct

ue to grow just about everywhere SMACNA firms are at work, particularly in smart manufacturing, smart buildings, and smart construction sites.

“Automation and data exchange are the wave of the future,” said Yeager. “The hand-off of data information will be extremely important in 2019.”

A growing number of building owners (residential, commercial, and

## SMACNA TRENDING TOPICS

### “More effective storytelling using imagery and video. Contractors are getting more sophisticated in capturing the visual story of their jobs in progress and upon completion.”

— Jeff Henriksen, SMACNA’s executive director of communications and marketing

## SMACNA TRENDING TOPICS

### “Continued strengthening of energy standards and hybrid HVAC systems.”

— Eli P. Howard III, SMACNA’s executive director of technical services

marking, daily reporting, field work orders, QA/QC inspections, and health and safety reporting.

## More to Look Forward to...

There are, of course, many other trends that are likely to impact sheet metal and HVAC companies in 2019.

While most SMACNA contractors may not be investing in this technology soon, watching a robot on YouTube lay bricks, position metal, and tie rebar makes it clear that more changes are on the horizon for the sheet metal and HVAC industries.

## SMACNA TRENDING TOPICS

### “More innovative software and applications including cloud-based models with mega data, virtual design, and apps that track and measure fabrication and installation productivity. Also, the increased use of collaborative contract documents, such as integrated project delivery and design/build.”

— Thomas J. Soles, SMACNA’s executive director of member services

# Team Leadership

This issue of SMACNews deals with industry trends to watch in 2019. We've seen a strong trend in leadership over the last decade that continues to gain momentum, and that's the shift from a singular leader to a team of leaders.

As I began considering a succession plan for the team I've led for (almost two decades), I determined that our work was too important and becoming too complex to create an ongoing dependency on a single individual. That's why I pulled together a team of five, high-capacity next-generation leaders to make sure our best days are ahead, and not behind. Their collective horsepower is inspiring me to stick around and be part of their team for a while before I ride off into the sunset!

Some folks have a less than positive mental image of team-building—an afternoon off-site doing trust falls or singing “Kumbaya” around the campfire. Maybe there's a place for that, but that's not where we see teams coming together to accomplish great things.

Here's an overview of the factors we're finding are essential for any team to achieve their peak performance.

Developing a **team purpose** is foundational to a leadership team becoming the catalyst for organizational health and growth. When a group of senior leaders get a glimpse of what can happen when they focus their energies around strategic initiatives, stretch goals, and creative solutions to chronic problems, it's a game-changer. A clear purpose is how you keep on track, and guard against spending all your time on important but less strategic objectives.

A team becomes aligned when they **establish agreements** for how they will treat one another, and **clarify each member's role** so everyone is clear on who's doing what. While this seems like common sense, it's often the least obvious dysfunction of a team, as well the easiest to fix.

Synergy (when the group result is greater than the sum of individual results) can be a corporate buzz word, but we can't think of a better descriptor for what happens when a team is firing on all cylinders. Rowers call it “swing,” that effortless feeling when near-perfect synchronization of motion occurs in the shell, accelerating both performance and speed. Synergy occurs much more frequently when team members learn to **manage conflict, build trust, communicate effectively, and promote real-time feedback**.

The great leadership teams focus on what's strategic, not just the usual operational staff meeting agenda. They can become the collective foot on the accelerator, creating rapid progress as they learn to **make great decisions and set strategic goals** collectively.

To paraphrase the philosopher G. K. Chesterton, “(Team leadership) has not been tried and found wanting. It has been found difficult; and left untried.” Our point of view is that the benefits are absolutely worth the effort.

*Ron Magnus, managing director of FMI's Center for Strategic Leadership*

*With Ed Rowell, CSL consultant*



*continued from page 3*

the Omnibus Budget Agreement signed into law in March. A feature of the extenders bill was to expand Internal Revenue Code Section 179D permanently to include more tax incentives to boost HVAC retrofits of commercial buildings.

A second extenders package, awaiting a vote as 2018 ended, was similar to The Tax Extenders Act signed in 2018 that included:

- Extension of Internal Revenue Code Section 179D
- Tax incentives for solar and geothermal
- Efficient homes tax credits and a combined heat and power ITC
- Nuclear power financing and empowerment zone bond financing

Neal has indicated he expects early action in the 116th Congress on most of the bill's provisions.

## Advancing A Comprehensive National Energy Efficiency Policy

After nearly a decade of trying to pass a National Energy Policy, SMACNA has been working to pass a major energy package in both the House and Senate with residential, commercial, industrial, and public energy efficiency provisions to stimulate construction. The key components include:

- The Energy Savings and Industrial Competitiveness Act, with outstanding numbers of bipartisan House and Senate co-sponsors. It awaited Senate passage as the 115th Congress adjourned.

Optimism is high that House passage is probable this year. An energy package is a top priority for Senate Energy Committee Chair Lisa Murkowski (R-Alaska) in 2019.

- SMACNA will again be advocating for The Energy Savings Through Public-Private Partnerships Act, where private sector service companies finance and install new energy efficient equipment at minimal or no upfront cost to the government. The bill now awaits a House reintroduction in 2019 by bipartisan co-sponsors with SMACNA support.
- Another promising bipartisan bill slated to be reintroduced in the House and Senate is The Master Limited Partnership Parity Act. This initiative has an identical bill expected to gain passage in the Senate, which would significantly expand financing options for energy saving performance contracting (ESPC), building retrofits, industrial market efficiency projects, and combined heat and power/waste heat to power (CHP/WHP) systems.
- SMACNA continues its leading role to build support in the new Congress for the bipartisan Technologies for Energy Security Act. The legislation would be helpful for contractors on large CHP/WHP projects, including mechanical systems

found on many large commercial, public and industrial buildings.

## Project Labor Agreements and Davis-Bacon Act

In 2018, attacks on PLAs and Davis-Bacon laws were turned back by significant margins. Now, with a Democratic House, SMACNA anticipates record support for prevailing wages and considering PLAs on most construction-related legislation based on statements from members of the House leadership.

## Infrastructure Plan to Repair Public Buildings, Schools and Airports

SMACNA was an early endorser of the White House plan for a massive 2018 infrastructure proposal. Members advocated for funding to boost repair, retrofit, and new construction of public facilities nationwide, especially the Federal Aviation Administration (FAA) Act reauthorization, which passed in October. SMACNA will again be enthusiastically supporting The Streamlining Energy Efficiency for Schools Act and other bills funding nationwide retrofit and renovation of schools using public-private partnerships and direct funding.

*SMACNA members are encouraged to educate their new members of Congress about these 2019 legislative initiatives and contact them through SMACNA's Take Action web page [www.smacna.org/advocacy/take-action](http://www.smacna.org/advocacy/take-action).*





## Industrial

*continued from page 7*

to work efficiently to stay profitable in a changing market.”

### Adapting to New Markets

“In the construction business, you have to adapt to the market,” noted Jim Gribbins, president of Gribbins Insulation in Evansville, Indiana. “Ten years ago, 30 to 40 percent of our business was in coal-fired plants. With a changing political climate, many of those projects are going away. We’ve expanded into other markets, and now we do less 10 percent of our business in coal-fired plants.”

Gribbins also works to improve communication with designers, which can prevent costly errors.

“Engineers put time and effort in to designing a system, but they don’t always think much about insulation. Insulation is an after-thought,” Gribbins explained. “The wrong insulation might give the wrong results, or promote corrosion, particularly at extreme temperatures. Explaining an insulation problem to the owner can be the hardest part of a job.”

On the other hand, Gribbins advocates design/build projects, which reduce misunderstandings by bringing contractors to the conversation early. “Design/build projects give contractors time to work out solutions before there’s a problem. This allows us to provide the best possible product and to do it on schedule.”



Participants take part in a breakout discussion at the 2018 SMOHIT Safety Champions Conference.

## SAFETY

### 2019 Safety Champions Conference Will Put Safety First

Members and safety advocates from around the country will learn new approaches to creating a safety culture and solutions to their safety issues during the 2019 Safety Champions Conference, February 24-26, in Tempe, Arizona.

“This conference is more of an industry networking session as representatives from around the country sit down together at tables and discuss safety issues that affect their everyday lives,” said Mike McCullion, SMACNA director of market sectors and safety.

The 1½-day conference is built around fostering an interactive, hands-on learning environment where members can pose safety questions, take part in open discussions, and find answers to safety topics that concern them. Participants will also talk about topics affecting the future of safety in the sheet metal and HVAC industry such as the aging workforce, younger workers, safety related to employer size and type of work, new technology, and safety training and education.

The unique format will include facilitator Philip Ragain, who will lead sessions on the learning culture and continuous improvement of safety cultures along with roundtable discussions to spur problem-solving. Participants will have the opportunity to select safety topics to discuss and learn from the experiences of their safety colleagues.

“This conference is designed to change our culture regarding safety, not as a number one priority, but as just the way we do things as union contractors and union sheet metal workers — always thinking of safety first,” said Randall A Krocka, administrator of the Sheet Metal Occupational Health Institute Trust (SMOHIT).

The participants include a diverse audience from both labor and management including JATC coordinators, business managers, and contractor safety representatives. The event includes the SMOHIT Safety Matters Awards during the opening reception Sunday night, recognizing those conscientious individuals and companies who make keeping workers safe a priority.

The conference is sponsored by SMACNA and SMOHIT. All individuals who have a voice or interest in safety are welcome to attend. The conference is free to all Industry Fund contributing contractor representatives; members only need pay for travel expenses and hotel accommodations.

*Members still have time to register on the SMOHIT website at [www.smohit.org](http://www.smohit.org). For more information, contact Mike McCullion, SMACNA director of market sectors and safety at [mmcullion@smacna.org](mailto:mmcullion@smacna.org) or (703) 995-4027.*



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## SMACNA CALENDAR

### FEBRUARY 2019

**Feb. 24-26**  
Safety Champions Conference  
*Tempe, Arizona*

### MARCH 2019

**March 3-7**  
Business Management University  
*Tempe, Arizona*

**March 12**  
Collective Bargaining Orientation  
*Dallas, Texas*

**March 14-15**  
Association Leadership Meeting  
*Dallas, Texas*

### APRIL 2019

**April 1-4**  
Executive Leadership  
Development Program  
*Chapel Hill, North Carolina*

**April 7-10**  
Project Managers Institute  
*Raleigh, North Carolina*

**April 28-May 1**  
Supervisor Training Academy  
*Milwaukee, Wisconsin*

### MAY 2019

**May 5-8**  
Advanced Project  
Managers Institute  
*Raleigh, North Carolina*

**May 7-9**  
2019 CEA National Issues  
Conference  
*Hyatt Regency  
Washington, D.C.*

**May 10**  
Safety Surveys Due

**May 19-22**  
Financial Boot Camp  
*Tempe, Arizona*

### JUNE 2019

**June 2-4**  
Council of Chapter Representatives  
*Lake Tahoe, Nevada*

**June 10-11**  
NJAB  
*Cleveland, Ohio*

### SEPTEMBER 2019

**September 9-10**  
NJAB  
*Salt Lake City, Utah*

### FUTURE SMACNA CONVENTIONS

**Oct. 20-23, 2019**  
76th Annual Convention  
*JW Marriott, Austin, Texas*

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