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# SMAAC NEWS

## Summer Camps Promise To Help Grow Future Construction Workforce



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## CAPITOL HILL UPDATE

### SMACNA's Take on 2022 Funding Bill, Davis-Bacon Regulations, PLAs

As Congress has been working through its priorities and dealing with the ramifications of the Russian invasion of Ukraine, SMACNA has been active on the issues important to SMACNA contractors.

#### The President Signs 2022 Funding Bill: More Infrastructure Money Unlocked

SMACNA had been encouraging Congress, after months of politically complicated negotiations, to pass its fiscal year 2022 funding bill. This was important because, despite enactment of the critically important legislation, especially the \$1.2 billion infrastructure bill, agencies were still restricted to only fund programs at their 2021 budget totals. On March 11, Congress passed, and the President signed, the \$1.5 trillion omnibus spending

bill. Although a fraction of the money was already flowing to projects, the new law unlocks billions of new dollars to fund new projects and grants for state transportation and public building departments requiring Congressional approval to go forward. SMACNA will continue to work on a long list of private sector energy efficiency retrofit tax provisions that were not included in the final spending bill but are expected to be considered before the end of the year.

#### SMACNA supports Department of Labor Efforts to Update the Davis-Bacon Regulations

The Department of Labor (DOL) posted its long-awaited reforms to substantially reform the Davis-Bacon Act rules for the first time in 40 years. DOL rules establish how the prevailing

wages that contractors must pay on federal and federally assisted projects are determined. SMACNA has been an advocate of rolling back the counterproductive and harmful changes to the regulations made by President Reagan in the 1980s undercutting union rates and contractor market shares. Once the rules are formally published, SMACNA will be submitting comments in support of a number of revised provisions in the newly proposed regulations.

As proposed, if 51% of survey wages are within a similar margin, that would be the prevailing wage. If not, the new proposal would allow 30% of the same or similar wages to be used as the prevailing wage. Reagan established a weighted average using 50% of the same or similar wages, making it far easier — common, in fact — for lower wages to drag down the prevailing rate.

The proposal would create far more wage survey activity to ensure wage rates could be updated more frequently. It would also provide broader authority for localities to adopt state or local wage determinations, making it simpler to use collective bargaining rates as the prevailing wage. Overall, the changes would update the regulatory language to better reflect modern construction practices, offer better enforcement, including debarment, and would establish anti-retaliation provisions for workers.

DOL's Davis-Bacon rules have





## FROM THE PRESIDENT

Al LaBella

a far-reaching impact and apply to an estimated \$217 billion in federal and federally assisted construction spending. It covers contracts with federal agencies that are more than \$2,000 for construction, alteration or repair of public buildings or works.

In a related development, SMACNA's Capitol Hill office escalated its effort to pushback on efforts to undermine or repeal the federal prevailing wage law by sending a letter to the full House and Senate opposing H.R. 2218, sponsored by Republican Representatives Good (Va.), Norman (S.C.), and Duncan (S.C.) and S. 805, sponsored by Sen. Lee (R-Utah), which would repeal the Davis-Bacon Act. The letter stresses the critical role prevailing wage standards play in maintaining a well-trained, highly productive construction workforce and emphasizes that productivity and quality of workmanship actually saves the government money.

### Project Labor Agreements

In a letter to Congress, SMACNA expressed opposition to PLA ban efforts (H.R. 1284), sponsored by Reps. Budd (R-N.C.), Gaetz (R-Fla.), Perry (R-Pa.) and 80 other House Republican members as well as a Senate PLA ban bill (S. 403) sponsored by Sen. Young (R-Ind.) and Sen. Scott (R-N.C.) and ten other GOP Senators. SMACNA has endorsed the White House PLA Executive Order and expressed its

support of construction project labor agreements (PLAs) on public construction projects when appropriate. The recent Biden Administration EO gives government owners the flexible authority to use PLAs when appropriate for federal construction projects exceeding \$35 million with certain exemptions. It would also boost the registered apprenticeship programs, produce a larger skilled labor workforce and direct the Labor and Defense departments and OMB to create a strategy to train federal contract officers on how to quickly and effectively implement the new PLA directive.

Key facts behind SMACNA's endorsement of the PLA Executive Order:

- PLAs are most often used in the private sector where corporate budget and scheduling decisions are highly scrutinized and extreme quality is demanded.
- Public sector PLAs cannot and do not discriminate against nonunion construction contractors or workers. To claim that federal PLAs are union-only is false.
- PLAs help local communities boost registered apprenticeship programs and the skilled labor workforce at a time of historic shortages and allow for workforce screening and background credentialing for added project security. ▼

## A Workforce Shortage Solution

Our trade has a certain rhythm to it. From proposals to pipelines to projects, there is a routine that keeps our businesses humming. When something challenges that routine, I have always been impressed by our industry's ability to overcome obstacles. This was true during the pandemic as our creativity carried us through.

Today, we face another challenge that continues growing: an aging workforce. Between 2008 and 2019, the retired 55-plus population grew by 1 million per year. In the past two years, the ranks of retirees 55 and older have increased by 3.5 million. The number of workers retiring is accelerating. The pandemic has sped this up.

We must remember that the aging workforce issue is not just a sheet metal issue; it's an issue facing all industries, including manufacturing, energy generation, homebuilders, healthcare, and others.

These industries need to replace millions of workers. In fact, the energy industry wants to triple its workforce, and they are willing to invest heavily to do it. So, our competition for new hires isn't just the non-signatory sheet metal contractor. It's the power company, the manufacturing plant, and the local home builder.

Luckily, SMACNA National and many SMACNA chapters and their local JATCs are working to raise awareness and recruit viable candidates to our trade. Some of our members, especially Angie Simon and Rick Hermanson — featured in the cover story of this issue — are even thinking outside of the box. They created a camp concept where teens get to test out the sheet metal trade a few days per week while managers get to test the teens' ability to learn. By camp's end, each teen knows if this trade is for him or her and the contractors know which teens would make great apprentices.

The playbook they developed is available to share with other contractors interested in running their own camps. (See "Anatomy of an HMSE Playbook" on page 17.) SMACNA is helping Simon and Hermanson promote the camp concept, and the Western Washington SMACNA chapter is helping manage the organization. Currently, there are about 15 contractors planning camps for this summer.

Imagine if every SMACNA member ran a camp and hired two or three campers, this program would help us address workforce shortages in a brief period of time.

Sincerely,

Al LaBella, SMACNA President



## CEO UPDATE

Aaron Hilger

# Building on SMACNA's Strengths

It has been a very productive four months since I started in January as SMACNA's CEO. As you would expect, my transition into SMACNA was seamless. Vince Sandusky and I enjoy working together and he has delivered on his promise of providing the "transition he wished he had received when he started at SMACNA." That was a wonderful starting point, and I personally wish Vince all the best in his future endeavors. He did a great job for SMACNA and has left me with a strong foundation on which to build the future of our association.

Prior to joining SMACNA, I ran a group of associations in Rochester, New York, for almost 20 years. Many of the associations were involved with the construction industry. Others were in high tech and tourism. As part of our practice, we handled labor relations with basic trades, painters, roofers, and sheet metal workers. I also served as a trustee on many multi-employer funds — from small local entities to large multi-state plans. We are also heavily involved in state government relations efforts for the construction industry. Our primary activities in that arena were economic development, labor issues and, in the last couple years, COVID regulations.

I have been part of the SMACNA family since 2005, when I became the Executive Director of SMACNA Rochester. A few years later, I also became the Executive Director of SMACNA New York State. As an executive director, I greatly benefited from my relationships with SMACNA national staff and my chapter peers.

From a transition perspective, my familiarity with SMACNA's offerings, national staff, labor, technical and government relations efforts have given me a strong starting point. The executive directors and I are focused on making their departments stronger and identifying more effective ways to serve our members. The national staff has a tremendous amount of energy, and it is a true joy to be able to direct it to the betterment of our industry.

My focus for this year is building upon SMACNA's strengths. Our labor, government and technical programs are the best in the industry. We have a strong relationship with SMART at the staff level. General President Sellers and I are also developing a solid foundation based on our shared passion for labor work and desire to increase work hours. Together we will be able to accomplish many things to help our contractors be more competitive.

Our government relations program is functioning at a very high level and our members will be able to take advantage of many tax credits and incentives that are coming out of Washington, D.C. Stan Kolbe has worked for decades on some of these programs! Look for additional information and practical guidance on using these tax incentives on SMACNA's website in the near future. Technical Services is also busy with seven standards publications expected to be published this year, or at least in the comment phase by year-end. Eli Howard's technical team remains very busy working on the standards and answering technical questions from members.



**IT IS CLEAR THAT THE DEMOGRAPHIC MAKEUP OF THE SHEET METAL INDUSTRY IS CHANGING AND WILL LOOK SUBSTANTIALLY DIFFERENT IN THE NEXT 20 YEARS. SMART CONTRACTORS WILL POSITION THEMSELVES TO BE EMPLOYERS OF CHOICE FOR PEOPLE FROM ALL BACKGROUNDS. OUR SHARED GOAL IS TO HAVE THE MOST DEDICATED AND TALENTED WORKFORCE POSSIBLE."**

Our Market Sectors and construction technology group are engaging contractors at an unprecedented level to help identify specific sector needs, trends and developments for residential, industrial, commercial HVAC, TAB and architectural markets. This feedback helps drive SMACNA's focus on the development of training, education and program offerings that benefit the entire membership.

We are also working on expanding our educational offerings and associate member programs. Our current education programs, such as Business Management University and the Project Managers Institute, are very good. We need to offer these programs more frequently, in different

formats and through hybrid/virtual options. We also need to expand the scope of our offerings, including more offerings in leadership development and additional programming for Chapters.

Associate members play a critical part in educating contractors, and our staff is working to expand the associate member program, creating new educational opportunities to engage the industry. This serves several purposes, including bringing more timely information to our attention, providing educational content and expanding engagement at events such as the product show.

Workforce development, especially creating awareness of sheet metal careers is a board and staff focus. I expect us to be refining our messaging and metrics as we move forward with this effort. There are a precious few things that a national association can do to influence local employment decisions. One way we are helping is to raise awareness of what a great choice a career in the sheet metal industry is. We can even help create enough interest that people want to pursue a career in the trade. We can directly connect them with contractors looking for employers through SMACNA's new Career Center.

The Be 4 All program is also an important part of retention and recruitment. It is clear that the demographic makeup of the sheet metal industry is changing and will look substantially different in the next 20 years. Smart contractors will position themselves to be employers of choice for people from all backgrounds, races and genders. Our shared goal is to have the most dedicated and talented workforce possible.

I look forward to meeting as many of you as possible at chapter functions, education programs and the convention. I encourage you to consider joining a SMACNA committee or task force. Your input



in those forums helps drive our programming and educational offerings. There are also many ways to engage in our government relations work; becoming a member of the Congressional Insiders Club is a great way to support what we do on the Hill every day. Thank you for being a member of SMACNA and engaging with our industry!

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*Aaron Hilger is CEO of SMACNA. Previously serving as executive director of SMACNA Rochester and SMACNA New York State, he brought over two decades of leadership to the CEO role he began in January. Hilger brings more than two decades of leadership experience to SMACNA.*

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## Copper Soldering Strike Force Team Prepares Michigan SMACNA for Success

ITI strengthens copper training to help prep Custom Architectural Sheet Specialists for historical restorations.

**T**he city of Detroit is roaring back to life. “Over the last 10 years, Detroit has become a more vibrant city,” says Glenn Parvin, owner of Custom Architectural Sheet Specialists in Detroit. “Its rebirth is stunning.” CASS is a key player in one of the city’s most significant historical restorations, the renovation of Michigan Central Station. The 1913 landmark anchors the new Michigan Central Innovation District. “It’s a very important project for the Ford Motor Company,” Parvin says. “This will be the autonomous vehicle headquarters, with public space down low.”

With a portfolio full of copper projects and a recent copper soldering training from the International Training Institute, CASS was the obvious choice to replace the building’s classic copper roof. Parvin has encouraged ITI to strengthen copper training since he served on SMACNA’s Architectural Steering Committee. “I’m grateful that Mike Harris and Dan McCallum made copper certification

a reality,” he says. “When this certification came to fruition, I wanted Detroit to be one of the first participants in the process.”

“It was a no-brainer to host ITI’s copper certification Strike Force,” says Matt O’Rourke, training director for the Local 80 JATC, who was supported by Sam Velez, Local 80’s architectural sheet metal instructor, and retired training director Richard Flood. “These skills increase work hours for members and market share for contractors.”

ITI does not charge for Strike Force training. “The local JATC just picks up the cost of the materials and training supplies,” explains Chris Caricato of ITI. JATCs can apply for the ITI grant program, which may offset up to 50% of costs. Apprentices spend the first 16 hours on soldering training, which includes the fabrication and installation of a copper roof onto mockup structures as well as soldering training for both a horizontal three-quarter inch flatlock seam and a one-inch vertical lap seam. On the third day, they take the American Welding Society (AWS) B2.3: 2018



## Check out the updated SMACNA Architectural Sheet Metal Manual

This completely revised publication contains the most comprehensive set of recommended practices available for proper design and installation of custom-fabricated architectural sheet metal, including roof drainage system design for scuppers, gutters and downspouts. Applies to commercial, industrial and residential buildings. Get it here: <https://rb.gy/pvktx6>.

Specification for Soldering Procedure and Performance Qualification Exam.

Six companies sent a total of twenty employees for certification. Apprentice Sergiy Bonderchuk from Detroit Cornice and Slate was in the first class. Bonderchuk expects to use his new skills often, "probably at least three times a week."

CASS sent Foreman Jeff Sanders, who has over 20 years of experience with soldering. "The strike force showed me new tools that improve the soldering experience," he says. "The testing process helps by giving you a standard to meet. You want to pass the certification."

Certified expertise is vital on copper jobs, which are often high-profile. "Owners that use copper are looking for 100-year performance," says Larry Peters of the Copper Development Association, who partnered with ITI to deliver the training. Thermal movement will crack copper roofs that don't have proper soldering. "SMACNA members don't want callbacks for poor installation, which could lose money and tarnish their reputation. Training can also help contractors expand into areas they have previously shied away from."

Eric Sassak of SmithGroup visited the JATC to observe training. "It was inspiring to see these dedicated people refining their trade," he says, "as they were shepherded through certification." SmithGroup loves architectural copper. "It's durable, it's beautiful, and it really performs."

CASS will use their expertise to replace the most visible copper on the Michigan Central Station, the front lower roof. The eave is 65 feet above the ground, and the ridge is about 90 feet up. For safety reasons, CASS only goes onsite when other people are not working above them on the 13-story office tower. Parvin knew about the limited scheduling, but prepping the roof became a surprising challenge. "One of our tasks was to remove the original shale on the concrete deck, and that's been proven to be

very difficult," he says. "We took jackhammers up to finish off the shale."

The roof surface is about 27,000 square feet of copper batten seam and flat seam roofing. It uses a double lock system with large wide-profile battens in 3.5 inches, plus or minus 24 inches on center. The proper roof comes out of 24-inch stock. The panels are folded over and double locked on each side. CASS used a custom-built rollformer and seamer on a previous project. Parvin had the seamer modified for this new project "to tie new production technologies in with old-world craftsmanship."

The escalation of materials is a reality in the current market. When he bid on the job, Parvin estimated that plywood would be about \$36 per sheet, but it went as high as \$90 or \$95 a sheet. Insulation is another concern.

**"IT WAS INSPIRING TO SEE THESE DEDICATED PEOPLE REFINING THEIR TRADE AS THEY WERE SHEPHERDED THROUGH CERTIFICATION." — ERIC SASSAK**

Parvin ordered isocyanurate several different times from multiple sources to keep the job rolling. "In the roofing industry, if contractors order insulation today, they might get it early next year, with a price adjustment at the time of shipping," he says. "There are lots of delays on construction sites due to shortages of installation." CASS planned ahead by purchasing the needed 35,000 pounds of copper well in advance, before a recent jump in prices. "Lead times for copper right now are 10 to 12 months, so the copper is sitting at the warehouse."

To keep contaminants off the new roof, CASS will not lay the copper until the office tower has been spray cleaned. "We expect to run that job with seven or eight workers but might beef up to 10," Parvin says. Installation will take 18 to 20 weeks. ▼



## High Quality Performance Leads to Years of Work

Quality work builds long-term, repeat business for Artlip & Sons in Chicago.

**A**rtlip & Sons Inc. of Aurora, Illinois, works with Starbucks Coffee Co. almost continuously. “I think I’ve got five Starbucks projects going right now,” says Hank Artlip, president of Artlip & Sons.

Over the years, Artlip & Sons has done everything from reconfiguring existing locations to a \$299,000 contract for a single store on the ground floor of a high rise in downtown Chicago. Ironically, this steady work began with a failed bid.

“I lost the first Starbucks job I quoted due to price, but the company that was awarded the project struggled to get to the finish line,” Artlip says. “The general contractor brought us in to correct some issues and, in the end, spent more on the mechanicals than my original bid. That got the GC’s attention and started a relationship that provided more opportunities for us.”

The general contractor quickly integrated Artlip into the team, including multiple projects for Starbucks in

Indiana, Iowa, Wisconsin, and halfway down the state of Illinois. “Most of the work is within an hour’s drive of our shop, but sometimes it’s hours away,” Artlip says. “Here around Chicago, there are many vendors and suppliers. When you get out to the smaller areas, you don’t have those resources, so planning ahead becomes even more critical” to ensure that the team has any necessary parts and supplies.

In a typical new strip mall location, the landlord provides two rooftop units and brings ductwork into the space. Artlip sends a crew of two workers to add the remaining 75 feet or 2,000 pounds of duct in about 80 workhours. “We’ll do our rough-ins, then go back and finish the run outs and install the grills, registers and diffusers,” Artlip says. “Our balancer finishes up with the TAB work.” These small contracts run \$40,000 to 45,000 each but would be about twice as big if the landlords didn’t include the initial rooftop units.

Updating an existing Starbucks is even simpler. “About



LEFT: Artlip and Sons installed insulated duct and an inline fan above the acoustical ceiling for a Starbucks located inside a Chicago high rise.

FAR LEFT: The mechanical area above the framing for the acoustical ceiling.



every 10 or 15 years, they reconstruct the interior of their stores,” Artlip says. These projects typically take a couple of days. “We do a little bit of demo, then put things back or relocate something. Maybe the supply is in the wrong location, or the return is where they want to put up a new wall. Generally, these jobs include pre- and post-air balance.”

Starbucks stores are not cookie-cutter properties but share key elements. “Starbucks has warming ovens, but they don’t require real kitchen ventilation,” Artlip says. “For most standard strip locations, a store only needs a couple of rooftops and toilet fans for their HVAC system.” Artlip has a full shop but relies on local fabrication partners for these small jobs. “They bring duct out to the site for us. Working with a partner gives us more flexibility.”

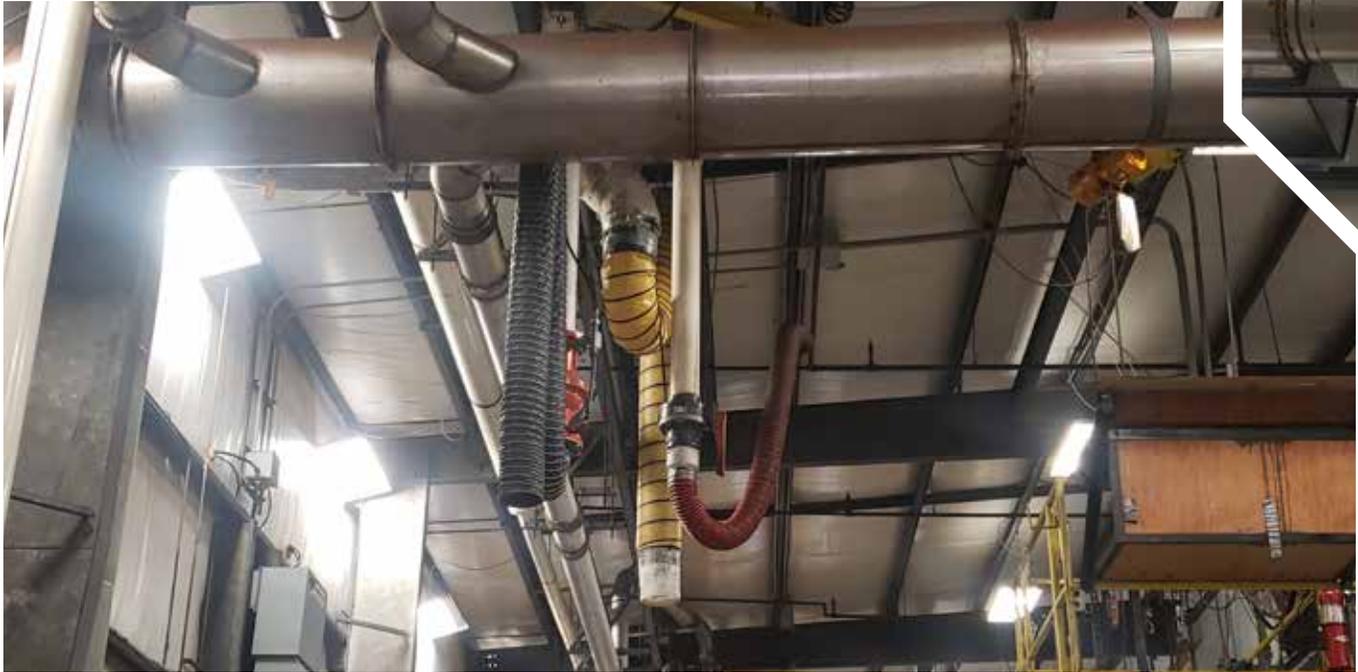
The \$299,000 Starbucks mechanical contract in a high rise was a completely different experience. “One of our more unique Starbucks projects was on the ground floor of a high rise in downtown Chicago,” says Artlip. “It wasn’t the dollar value, which was very high, that made it unique, as much as the difficulty of the project. Usually, a Starbucks store requires simple rooftop units, but this project used air handlers within the space. We did all the water piping to them, the ducting, all the fresh air intakes and reliefs, and the controls.” Artlip installed about 15,000 pounds of 22- to 26-gauge G90 galvanized steel. “We had to work with the building’s control contractor for all controls. The landlord had complex requirements, so the project required significant coordination.” The landlord also had a larger overarching construction project taking place at the site at the same time, which required another layer of coordination with other contractors.

A strong track record on projects both big and small is bringing Artlip opportunities with additional major chains. “The general contractor I work with has started

**“ONE OF OUR MORE UNIQUE STARBUCKS PROJECTS WAS ON THE GROUND FLOOR OF A HIGH RISE IN DOWNTOWN CHICAGO.” — HANK ARTLIP**

branching out to other chains. They are able to show that they have experience in the market,” Artlip explains. “We have started working with some Chick-Fil-As, and we recently started our first Panera project in Chicago. We’re also starting a DoorDash location. All of this work came because of their other relationships.”

While chain locations bring frequent work, staying competitive is an ongoing challenge. When they award bids, Starbucks compares HVAC costs from hundreds of similar stores. “They have a really good gauge of where the numbers should be, so we work hard at staying competitive,” Artlip says. A focus on quality gives Artlip an edge in these calculations. “There is also a lot of trust. They know that if there’s an issue, we’re going to work through it fairly. We also do a lot of coordinating and looking ahead regarding upcoming schedules and projects.” ▼



# Running on Fumes Management

Fabricating ductwork for industrial fume management requires special knowledge. Indiana SMACNA member Vidimos Inc. talks about the challenges and opportunities these types of projects bring.

Industrial facilities, such as those that specialize in manufacturing a variety of products, including steel making, refining, chemical production, and manufacturing of many consumer products, can be susceptible to fumes that can contain harmful particulates.

These can result from mixing operations, process off-gassing, drying or combustion.

Maintaining a clean work environment is essential to ensure an indoor atmosphere that keeps employees safe and meets regulatory requirements.

Creating a fume management system that meets these goals involves capturing, containing and removing fumes from the air and exhausting it outdoors and/or returning clean air indoors.

What these industrial clients want is a well-designed and maintained fume collection system that properly filters fumes and other hazardous contaminants that they generate through this heavy fabrication. These systems keep facilities compliant and current with air quality requirements.

The work takes a familiarity in working with some

different materials, installing them with an eye on fire and explosion prevention and the ability to work with multiple companies on one job. But the benefits are a niche market that has less competition and helps build repeat business with loyal customers.

## BECOMING SPECIALISTS IN FUME MANAGEMENT

SMACNA member Vidimos Inc. is an East Chicago, Indiana-based company that specializes in industrial ventilation contracting. From air scrubbers that neutralize hydrochloric acid to thermal oxidizers that incinerate fumes, Vidimos has extensive experience working with the unique duct materials these systems require.

But what really took Vidimos Inc. to the next level was working with a local power company in 2016. The company had a dust collection system that they couldn't easily move outdoors. So they called in Vidimos to reinforce the system and add an explosion prevention system.

After that, one of Vidimos' regular customers needed a fire suppression/explosion suppression system.

These two jobs really kicked off this specialized work



LEFT: Vidimos installs fume collection systems like these for industrial clients in Indiana.

for Vidimos, giving the company the experience it needed to build trust with these clients.

### A TURNKEY APPROACH TO FUME MANAGEMENT

The process starts with a dust hazard analysis, Vidimos said. This is the best way for an industrial facility to characterize the dust types it generates and evaluate its risk of employee exposure.

In fact, the Occupational Safety and Health Administration stipulates that an employer is responsible for identifying and abating fume hazards in the workplace. Everything from particle size, dust shape, gravity, moisture level, and abrasiveness come into play. Understanding these components lead to the best design of fume control equipment.

Then, there is the design and selection of equipment. “We usually come in on the mechanical hardware installation portion of the job,” Vidimos said. “Sometimes an electrical contractor is also involved for interlocking equipment and sensors. Then, there may be ongoing maintenance and monitoring that is needed.”

Common problems that can happen with this work include:

- Improper mounting of equipment
- Not securing or welding suppressant containers properly to the vessel or duct
- Not properly supporting or bracing process lines or ducting
- Installing duct with incorrect flanges (Ducts must often meet or exceed pressures of -5 to +15 psi)

### MATERIAL MANAGEMENT

Materials required for fume management and mitigation include galvanized and stainless steel, depending on the corrosive nature of the fumes being carried through the duct. Other materials sometimes used, although not usually manufactured by sheet metal contractors, include fiberglass, polyvinyl chloride (PVC) or CPVC, which stands for chlorinated polyvinyl chloride.

Vidimos said knowing how to handle these different duct materials is critical to ensuring a successful project.

“Just being familiar with the types of materials that we’re dealing with, whether it’s a particular type of stainless steel or fiberglass or PVC or CPVC,” he said. “All of

them are slightly different.”

The duct materials are usually selected by the client’s engineering staff and not Vidimos engineers. Then for the installation team, protecting the fume management system against

corrosion is paramount, Vidimos said.

“When you get into fume management, you’re going to get into stainless steel more quickly than you would with other work because of the potential for corrosiveness,” Vidimos said. “And then with the sealing of joints, instead of just having silicon caulk, you may end up with Teflon gaskets — something that’s impervious to whatever fumes you’re handling.”

The duct that Vidimos fabricates and installs for these projects can range from 6 inches in diameter up to 3 or 4 feet in diameter, he said. A typical project might have 200 to 400 feet of duct. Occasionally, these jobs require up to 1,000 feet.

## MAINTAINING A CLEAN WORK ENVIRONMENT IS ESSENTIAL TO ENSURE AN INDOOR ATMOSPHERE THAT KEEPS EMPLOYEES SAFE AND MEETS REGULATORY REQUIREMENTS.

### EXCLUSIVE WORK = BETTER MARGINS

Industrial is a niche market in this industry. It’s a lot less competitive than commercial HVAC, Vidimos said, because fewer people are doing it. And especially in Northwest Indiana, which is an area rife with manufacturing plants, there is a lot of opportunity for this type of work.

When you get deeper into fume and explosion protection, you enter an even more specialized niche. Most of the jobs Vidimos bids are sole-source opportunities. “Just because of that exclusivity, we have the opportunity to make better margins,” he explained.

Having a knowledge of this type of work goes a long way, Vidimos says. “They appreciate our reputation and quality of work,” he said. “It reassures them when they know we’ve worked with these types of systems. It helps our standing in the customers’ eyes.”

And this work continues to present opportunities in industrial-heavy markets, particularly due to continued regulations. “For any contractor working with companies that handle fumes or dust and need a hazard analysis or explosion suppression system,” Vidimos added, “the new regulations have created some great opportunities for contractors to help educate them and see if there are problems they can help solve. ▼



# How to Get Your Business Seen First in Google Searches

How Search Engine Optimization helps local consumers find your HVAC business.

**E**nsuring your business is at the top of Google, Bing, Yahoo and other search engines is an important and sometimes misunderstood step for SMACNA members. The goal for any website is to get as close to the top of the first search page as possible. The reason? According to Searchengineland, 90 percent of users won't click past the first page. Put simply, the lower you are in the rankings, the less people will see your content. The good news is that you have the power to help boost your rank by using a free technique called search engine optimization, otherwise known as SEO.

## FIND YOUR KEYWORDS

Think about how you begin to look for a product or service that you want. You start with Google or another search engine, right? So does everyone else. And that search begins with the terms, or keywords, that you enter into a search engine field.

Finding the right keywords will make a world of difference in getting consumers to see your listing. For example, only using "HVAC" and never referring to your services as "air conditioning, heating, cool air, hot air" are all missed opportunities. Some may be basic, but others might seem odd to you. Google Keyword Planner (<https://ads.google.com/home/tools/keyword-planner/>) allows you to type in keywords that are important to you, like "HVAC tech," and it'll suggest other similar keywords that users also use to search for similar services.

You'll notice that Keyword Planner will show how popular the keyword or term is. Don't ignore those less-searched ones! For example, "HVAC contractor dealing with Toshiba units" is less popular, but when someone searches that, you'll likely appear higher in the results.

Once you have a list of popular keywords and phrases, incorporate them into the text on your website. As tempting as it may be to list every keyword on your site as a keyword, search engines view that as bad behavior and

will penalize you. Write content on your site that sounds good to a human, rather than a robot.

### THINK LIKE YOUR CONSUMERS

While Google Keyword Planner is a great starting point, the most important thing is to put yourself in the mind of your target consumer. What are they searching for? Most will be looking for "HVAC contractor" in the town or city they're located in. Using those keywords in your website title is extremely important. For example, rewriting a title from "John's HVAC Service" to "John's HVAC Service: AC & Heating Technicians in Philadelphia" will make a world of difference as it incorporates your name, your location and what you do. You want your title to be accurate and descriptive.

Titles are what your consumers are clicking on, and they need to be concise. For example, Josh's HVAC Service may have a service radius of 30 miles, but there isn't the space to write down every town your company services in the title. That said, do make sure you list your service areas elsewhere in the content. If you never mention servicing a town name and one of your competitors does, guess which page will be more likely to appear in the rankings for a search involving that town?

You also need to consider the context. When you are thinking about a keyword term, search it in Google and see what currently appears. A single HVAC company is unlikely to rank highly for an extremely top-level term like "HVAC" by itself.

### CREATE PAGES

Think beyond a home page and contact page; it's worth creating pages that explain the different services your company does. For example, a page for residential HVAC cleaning and another one for commercial HVAC installation. Make each of your pages is complete and readable. This is where you can incorporate those less-searched keywords!

Remember, your consumers and search engines are looking for the answers to their questions. Your company webpages are here to answer their questions using language they understand best. Think about how your consumers describe their HVAC systems rather than industry jargon.

### UPDATE FOR THE SEASONS

HVAC needs change with the seasons, so make sure your website incorporates those changes as well. Updating

**ACCORDING TO SEARCHENGINELAND, 90 PERCENT OF USERS WON'T CLICK PAST THE FIRST PAGE. PUT SIMPLY, THE LOWER YOU ARE IN THE RANKINGS, THE LESS PEOPLE WILL SEE YOUR CONTENT.**



your text to prioritize customer needs now is vital. Put reminders in your calendar to emphasize different text at different times of the year.

### ALT-TEXT FOR IMAGES

Utilize alt text, so that if someone hovered over the logo, it would display text of your company's name – this is what search engine robots see instead of the image.

### LINKING BACK

Get links back to your site! The internet is all about connections. Your Yelp, Google Maps and Facebook Business pages should include your website. If you work with a new site like the local news, ensure they have a link to your website too.

### NEXT STEPS

These tips can help you increase your site's SEO ranking, but you don't have to do it alone. For instance, SMACNA uses an SEO agency, and you can too if you want help creating and implementing a plan of action for your business. Many businesses and organizations use one. Before searching, make sure you have a budget in mind. Be wary of any agency that guarantees specific results. The adage is right: if it seems too good to be true, it probably is.

Incorporating keywords and maintaining a site with accurate and descriptive text will set you up to rise in the search results for a stronger SEO standing. ▼





COVER STORY

# Summer Camps Create Opportunities to Grow Construction Workforce

**As the labor crisis looms, companies focus on building a new generation of industry leaders.**

Americans are getting older.

While the proportion of the U.S. population age 65 and older has grown steadily for more than a century, the rate of that growth is picking up. Projections from the Census Bureau indicate roughly 20% of the U.S. population will reach retirement age by 2030.

The shifting demographics raise important questions about the future of work and the labor force in the United States. The construction industry, which represents roughly 4% of the national gross domestic product is no exception. More than 40% of workers in the sector today are expected to retire within 10 years, according to the National Center for Construction Education & Research.



“We need to get going on bringing some new, fresh ideas and fresh blood into our industry,” says Rick Hermanson, CEO of mechanical contractor Hermanson LP, based in Washington state.

Where some may see a looming labor crisis, executives like Hermanson are focusing on building a new generation of industry leaders. In seeking out creative approaches to attracting new talent into the sheet metal and air conditioning sector, they’re finding that construction summer camps for high school students offer a promising strategy for recruiting younger workers.

### HEAVY METAL

Hermanson and Angie Simon, president of Northern California-based Western Allied Mechanical, teamed up to launch a pilot program for construction camps last year. Their idea was born during their participation on a workforce development panel at a SMACNA convention.

“What resonated with me is letting career-minded kids know there’s another option out there if they choose not to go to college,” Hermanson recalls.

The collaboration between Simon and Hermanson produced a pilot dubbed the Heavy Metal Summer Experience. It consisted

of two separate camps held last summer in Western Allied and Hermanson LP’s home markets of Menlo Park, California, and Kent, Washington.

Heavy Metal provided students between the ages of 15 and 19 with opportunities to see trades such as sheet metal, piping and plumbing up close in a hands-on setting. Simon and Hermanson point out that changes to the standard educational curriculum have made the need for such camps particularly acute. Specifically, the disappearance of trade-type training in high schools means fewer teenagers get exposure to the possibilities of careers in construction and contracting.

“The vast majority of schools don’t have auto shops and metal shops and wood shops any-more,” Simon notes.

Heavy Metal seeks to fill that gap for students who might be interested in a career in construction contracting. Hermanson and Simon focused their recruiting efforts for the camps on underserved communities in hopes of attracting a diverse group of students seeking alternatives to enrolling in higher education.

“Our goal was to give high school students the experience of working with their hands to see if they liked it,” Hermanson says. “To me, it was about making kids aware of this industry.”

Simon says Western Allied is now helping eligible campers from the 2021 program find



**“WHAT RESONATED WITH ME IS LETTING CAREER-MINDED KIDS KNOW THERE’S ANOTHER OPTION OUT THERE IF THEY CHOOSE NOT TO GO TO COLLEGE.” – RICK HERMANSON**

career opportunities in construction. Some have enrolled in classes at community colleges or vocational schools as precursors to apprenticeships.

“We tell the campers that when they reach 18 and graduate from high school, they can contact us to help them work through the process of finding a job,” Simon says.

### **PROVIDING NEW EXPERIENCES**

The pilot camps consisted of six-week schedules. Participants attended two classes each week for two-and-a-half hours, during which they learned the fundamental skills involved in the construction trades. The curriculum included demonstrations from workers in the different trades and construction projects. The campers also went on field trips to job sites.

“Our goal was to get the campers as many different exposures and as many different experiences in the building trades industry as we could provide them,” Hermanson says.

The California camp was attended by 16 local high school students, while the Washington camp had 12 attendees. Hermanson says there was no shortage of people in the industry offering to help: “I was blown away by how many people volunteered to be a part of the classes and tell their stories to these kids about their experience in the building trades.”





In terms of operating the camps, Simon says she came up with an initial estimated budget of \$30,000 for the pilot. She quickly found partners willing to help with funding and in-kind donations for the program. For example, Milwaukee Tool donated personal protective equipment such as vests and gloves for use during the instruction sessions and tool bags for the students to receive upon completion of the camp. Another of Western Allied's vendors provided boots for the campers valued at a total of about \$3,000.

Instructors from the piping and sheet metal trades provided instruction for the teaching sessions, with the labor unions covering those costs. The local SMACNA chapter also donated funds to the effort.

In the end, Simon says Western Allied spent roughly half of its estimated budget on the program, with its primary expense coming from materials. Looking ahead, companies are already offering donations to help set up similar camps in 2022, according to Simon.

#### BRANCHING OUT

The plan now is to take Heavy Metal national. Simon and Hermanson have already taken the first step of incorporating to form a nonprofit that can run the program full-time.

Additionally, Hermanson and Simon have developed a "playbook" to help other groups replicate the program. The doc-

**"OUR GOAL WAS TO GET THE CAMPERS AS MANY DIFFERENT EXPOSURES AND AS MANY DIFFERENT EXPERIENCES IN THE BUILDING TRADES INDUSTRY AS WE COULD PROVIDE THEM."**

— RICK HERMANSON

ument includes background on the logistics and objectives of the Heavy Metal program, such as the benefits of cultivating partnerships with local youth organizations and finding qualified instructors. Hermanson LP and Western Allied disclosed information on costs and labor associated with running the camps in the playbook. It also features suggested schedules and curriculum for groups to use when running their own camps, as well as analysis of

camp. Live in Peace offers mentoring for students in the Bay Area who are considered by their high schools to be at-risk of dropping out. The organization screened candidates for the program on behalf of Western Allied, and a Live in Peace representative attended every session to help with any situations that might arise with the campers.

Hermanson focused his recruiting efforts on working with the local school district. He



lessons learned during the pilot last year. The playbook even contains sample marketing collateral that sponsors can use to promote the camps.

“Our goal was to make it easy for contractors to do this in their own communities,” Hermanson says. According to Simon, as many as 12 groups around the country have reached out to them about implementing their own Heavy Metal camps this year in places like Atlanta, St. Louis and Los Angeles.

Simon says the greatest challenge to developing successful camps will come from finding solid partners to recruit students to the camps. Simon worked with a local non-profit organization, Live in Peace, to identify candidates for the

says he plans to branch out to nonprofit organizations this year. Other suggested partners in the playbook include trade schools and community colleges.

Simon says other organizations in the Bay Area have expressed interest in helping steer students to the Heavy Metal camp this summer. That gives her confidence camp sponsors in other regions around the country can find partner organizations to help with their recruiting efforts.

Of course, Hermanson says he hopes attendees of the camps will help do the recruiting on behalf of the sponsors. “On the very first day of camp last year, I told the kids, ‘It’s your job to go back to school and tell all your friends what a great industry this is.’” ▼

## Anatomy of an HMSE Playbook

SMACNA – WW, Western Allied, Hermanson Company, and Construction for Change have partnered on a pilot program that introduces sheet metal and piping/plumbing trades as a career option to high-school-aged students. It’s called the *Heavy Metal Summer Experience* (HMSE).

The Playbook goes over exactly what contractors need to run a similar summer program themselves. Here’s a sneak peek of what’s inside.

It starts with an overview of the construction industry’s hiring challenges and opportunities, setting the stage for why this program is important for all contractors to embrace to amplify their hiring practices and overcome workforce challenges.

Then it dives into the logistics. This starts with who a construction business can target as potential candidates for the program and how to build school partnerships. It also provides recommendations for children-to-teacher ratios, as well as your employees’ teaching responsibilities and tips and a suggested timeline.

The curriculum section outlines a planned schedule for each day’s itinerary, including a list of materials to give the students, such as safety vests and gloves, safety glasses, hard hats and boots.

Each section of the curriculum highlights the goal, processes and procedures, time to complete and required materials.

To market the Heavy Metal Summer Experience, contractors can follow the Marketing and Partnerships chapter to see what strategies worked best for marketing the programs and where to target these materials.

The Playbook also provides an application you can use for the students to fill out so you can gather contact data and assess their applicable skillsets and interests.

Take a look at the Playbook’s contents for more insight:

### CONTENTS

- Introduction
- Executive Summary
- Collaboration Team Overview
- Partnership Roles/Responsibilities
- Logistics
- Finance
- Training & Curriculum
- HMSE Study: Western Allied Mechanical’s Camp
- HMSE Study: Hermanson Company’s Camp’
- Lessons Learned
- Marketing & Partnerships
- Appendix

To request a copy of the Heavy Metal Summer Experience Playbook, visit [www.hmse.org](http://www.hmse.org).







FEATURE STORY

# Wisconsin Junior Hockey Team Honors Union Trades

**Players learn important skills on and off the ice.**

“Let’s go Tradesmen, Lets Go!” “Let’s go Tradesmen, Lets Go!”

There is a small village south of Madison, Wisconsin, where the trades are celebrated every week. Hundreds of local residents fill the Oregon Ice Arena to cheer on their hometown hockey team, the Oregon Tradesmen. Fans also come out to show their admiration for the team’s namesake — local sheet metal/HVAC workers, carpenters, electricians and other tradesmen who are so important to the community.

“We wanted a junior team to call our own for a long time, so when the opportunity arose to purchase a franchise, we knew we had to develop a plan to make it something we would be proud of,” said Ben Cowan, who directs operations for the arena, and is the team’s vice-president. “The idea of giving 17- to 21-year-olds not only a great hockey experience but also teach them life skills was an important part to developing our vision. The trades play such a vital role in our country that we knew we had to pair our team with that industry.”



The idea to partner with trade-oriented businesses and organizations came soon after Cowan purchased the Oregon Ice Arena in 2018. He knew a lot of maintenance, repairs and renovations were necessary to make the arena more habitable. Facing what could have been an overwhelming amount of work and money, Cowan's worries turned into gratitude. Hockey dads began offering their time and talents to help with the multitude of projects. In addition to their common interest in hockey, many of these 'dads' are union members of local trades organizations.

"I was in awe," recalled Cowan. "We've built rooms, laid flooring, and we're installing heat under the bleachers. Almost every trade has fixed or added to the facility."

Cowan and his partners were so impressed, they decided to name their new team the Oregon Tradesmen.

"The Tradesmen name is to represent the hard-working people in our community and give them their team to get behind and support," Cowan explained. To add value to their new team's name, Cowan broadened the 'developmental' component of the team to ensure his players

were learning important skills on and off the ice.

Four days a week, Oregon Tradesmen players are up at 6 in the morning. Instead of lacing up their skates, these young men are heading out to job sites. Helping to update a local restaurant, working construction at a new apartment building, running wires for a local electrician, helping HVAC workers keep the chiller systems running, and many more trades projects. They work into the early afternoon, then trade in their tools and work boots for hockey skates and sticks.

Players spend 15 to 20 hours per week developing their hockey skills, then they are available to work for 20 to 25 hours in an environment that furthers their career capabilities.

Gunnar Shiffmann, a veteran player for the Tradesmen, appreciates the dual mission. "My family owns a construction company in Eagle River, Wisconsin, and I have been working since I was a little kid," he said. "What



**"WE STARTED THE INITIATIVE BECAUSE WE APPRECIATED THE TRADES AND THE HARD WORK OF ITS MEMBERS. WE NOW HAVE A BIGGER PICTURE IN MIND KNOWING THE IMPORTANCE THESE JOBS PLAY IN FUTURE DEVELOPMENT OF OUR COUNTRY." – BEN COWAN**

the Tradesmen are doing here is awesome, and we have hired a couple of the guys to work for us in the summer."

"We started the initiative because we appreciated the trades and the hard work of its members. We now have a bigger picture in mind knowing the importance these jobs play in the future development of our country," Cowan said. "Without tradespeople, there will be no development."

Seth Redalen is one of the hockey dads donating his skills to help the Oregon Tradesmen. "I skate there Sunday nights

with my kids," said Redalen, who works for SMACNA firm 1901 Inc., based in Madison. He's helping install a heating system under the arena's bleachers. "I just wanted to do something to make fans more comfortable."

Cowan is working with a couple of schools to implement a pre-apprenticeship program that his players can attend in the evenings.

"Like everything else, the struggle has been finding qualified instructors willing to alter their schedules for the learning process of the program," Cowan said.

"We all know that four-year college isn't for everyone, and there is an extreme shortage of skilled workers in Wisconsin," Cowan added. "We want our players to be ready for their next life step — whether it's college or a successful career in the trades."

Cowan said an added benefit of the initiative is that hard-working men and women of the construction trades are great role models for his players.

"If in 2 to 4 years we have players that are now fully employed in the trades," Cowan continued, "I'll know we've been successful." ▼



## LEADERSHIP

Mike Clancy

# Guarding Against Risk Through a Structured Client Selection Process

It has long been an axiom that more industry firms go bankrupt during expansionary periods than during recessionary ones and that firms are more likely to fail due to cash crises than profitability problems. It seems the industry is required to re-learn this rule in painful ways in every business cycle. And even though the economic indicators are pointing toward the likelihood of an industry downturn in the next couple of years, we remain in a period of rapid expansion in many parts of the country today. Which begs the question: How do you prevent your firm from being another cautionary tale in an industry already full of them by choosing the right clients?

### REEVALUATE YOUR RELATIONSHIPS

Often the primary challenge facing good trade contractors is that their performance causes their GC and CM clients to “love them to death.” In other words, your ability to deliver on your promises and provide a good service and experience for the prime contractor causes them to prefer you in selection. While this can be a good thing from a sales and business development standpoint, you can very quickly outgrow your ability to deliver the same experience. Not only does this lead to performance challenges, but it can also damage the very reputation for service that won you the enhanced position.

Additionally, some of the prime contractors with whom you may have built an outstanding relationship may not be the best ones to go all-in with. Perhaps they favor you because your strong field leadership overcomes some shortages of their own, or because your accommodating position on “getting things done” in the field means you are less likely to press your rights regarding changes. As you take on more work with these types of clients, you may find it difficult to justify the same behavior financially.

For this reason, you should be evaluating your client pool across several dimensions and making project selection decisions accordingly. Some of those dimensions include:

- Profitability – How often do we meet or exceed budgeted profit on their jobs?
- Cash flow – Do they pay in a timely fashion? Do they drag their feet on getting your change orders approved?

- Liability – What is their contract posture? Do they push unreasonable risks onto you, or are they collaborative?
- Project diversity – Does their strategy have them unbalanced into any particular markets or segments that may be especially impacted in a recession?
- Professionalism – Are their managers at all levels effective and professional? Do they treat you fairly?
- Predictability – As a partner, do you generally know how they will behave and operate? Or is their management posture wildly variable depending on who you are working with?



**BY SELECTING THE RIGHT CLIENTS, IT IS MORE LIKELY YOU WILL BEAT THE ODDS AND CONTINUE TO THRIVE REGARDLESS OF WHERE YOU ARE IN THE BUSINESS CYCLE."**

### TIE CLIENT SELECTION TO STRATEGY

At the end of the day, your ability to thrive for the long term is dependent on how well you focus on the right geographic markets, segments, clients, and projects. Tying this keen understanding of your firm's strategy (as we discuss in this article) to your knowledge and perceptions about your clients and their various strategic directions allows you to choose the set of focus clients that most closely aligns with where you want to take your business. If you lack clarity about which customers should be preferred on the basis of their alignment with where you are headed, you should at least be clear about which ones make the most sense from a behavioral perspective. By selecting the right clients, it is more likely you that will beat the odds and continue to thrive regardless of where you are in the business cycle. ▼

*Mike Clancy is a partner and strategy practice leader at FMI. Steena Chandler, a principal in leadership and organizational development at FMI, also contributed to this story.*



## FINANCIAL STEWARDSHIP

Ronald J. Eagar

# 2022 Brings New Compliance Challenges and Financial Strategies

**A**s the construction industry focused heavily on pandemic-related changes over the past two years, other necessary changes were created or delayed. It is important not to overlook the new compliance requirements and existing strategies that can help your construction company maintain its financial health in another year of economic uncertainty. As we work our way through 2022, here are three of the most significant ones to consider.

### GET READY FOR YOUR PAYCHECK PROTECTION PROGRAM (PPP) AUDIT

PPP continues to be one of the most talked about topics arising out of the pandemic. Like others, the construction industry greatly benefited from the PPP. Now that most contractors have received their round 1 and round 2 forgiveness, now is the time to be prepared for the PPP audit, as the audits have already started, and more are coming. Construction contractors expecting an audit should compile and centralize the information to support their case for necessity, usage and forgiveness of the PPP funds.

Clearly, your payroll records, union reports and backup of other qualified spend items need to be available. Also understand how your loan base was calculated and what you considered within that math. At the early audit stages, the SBA is questioning the validity of loan bases.

While there is a strong financial condition component to these audits, the key item is the uncertainty at the time, which needs to be emphasized. Look to documentation of real-time conditions from the onset of the pandemic, including project shutdown notifications, board minutes/internal memos discussing decisions to lay off employees, and any other impactful documents.

### GET ASC 842 COMPLIANCE RIGHT

The construction contractor's financial statement is about to undergo another change.

Much like the changes to their Generally Accepted Accounting Principles (GAAP) revenue recognition model, contractors will now have to adopt changes to

reporting leasing arrangements (as the lessee). In short, all long-term leases that have been previously expensed will now be pulled up on the contractor's balance sheet as a right-of-use asset with an offsetting current and long-term liability. The challenge will not be in identifying and accounting for the leases, but rather in how bringing on debt impacts the contractor's working capital, debt-to-equity covenants, maintenance of other financial covenants, project prequalification, etc.

The new standard is effective for private companies in fiscal years beginning after Dec. 15, 2021, and interim periods beginning after Dec. 15, 2022. This will require organizations that report on a calendar year to implement the standard for their Dec. 31, 2022, financial statements.

### RE-EVALUATE YOUR INCOME TAX STRATEGIES

While tax planning is often thought of as a year-end activity, it should be kept in mind throughout the year. Important tax deferral strategies can be employed for 2022 with the proper review and planning.

The types of contracts your construction company performs under will determine which accepted income tax deferral strategies you can employ. For example, while a construction company's overall method may be accrual, to the extent any projects are completed within a single tax year, that project could qualify for cash basis.

Also, current income tax rates will sunset by the close of 2025, if they are not ended prematurely. Based on most recent political vibes, the ending of the current rate structure will likely result in higher tax rates for all.

These are powerful strategies that should be considered, especially since cash flow is vital to a contractor's success. In a year of inflationary pressure, rising costs and ongoing pandemic-related expenses, do not risk the loss of critical PPP funds or non-compliance with ASC 842. Also, don't neglect valuable tax deferral strategies. ▼

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## LEGISLATIVE

Bill Lowe

# Don't Ignore ACA Compliance Requirements

Following the Supreme Court's June 2021 decision in *California v. Texas*, which rejected a challenge to the constitutionality of the Affordable Care Act ("ACA"), the often-debated statute has largely remained out of the news. Contractors should not ignore the ACA requirements simply because the ACA has been out of the news.

With the statute intact, covered employers throughout the U.S. remain subject to the ACA's employer shared responsibility provisions, which include the employer mandate and information reporting requirements. While these requirements have been in effect since 2015, ensuring compliance is more important now because the IRS is increasing enforcement activities and no longer offering good-faith relief from penalties under IRC Sections 6721 and 6722 associated with furnishing or filing an incomplete or inaccurate information on Forms 1094 and/or 1095.

Considering these developments, it is critical that all employers with 50 or more employees place a renewed emphasis on ACA compliance, particularly with respect to the accuracy and completeness of the information contained on 1094-C and 1095-C forms submitted to the IRS and employees.

## BACKGROUND ON THE ACA EMPLOYER MANDATES

**Which Employers Are Covered By the ACA?** Under the ACA's shared responsibility provisions, all applicable large employers ("ALEs") must offer their full-time employees affordable health insurance coverage that constitutes minimum essential coverage and provides minimum value, or risk being subject to penalty. For purposes of the ACA, ALEs are employers who had an average of 50 or more full-time or full-time equivalent employees during the prior calendar year. To be considered a full-time employee under the ACA, an individual must generally average at least 30 hours of service per week or 130 hours of service in a given month.

**Penalties are Potentially Significant.** ALEs may be subject to significant penalties under the shared responsibility provisions for either: (a) failing to offer qualified coverage to 95% of full-time employees in any month (the "A"

penalty); or (b) by offering otherwise qualifying coverage that is not affordable or does not meet certain minimum value thresholds (the "B" penalty). If incurred, the "A" penalty is levied against the ALE's entire employee base, and for 2022 is calculated as follows: (Total # of ACA FT employees – 30) x \$229.17 per month or \$2,750 per year. As for the "B" penalty, this is assessed on a per employee, per month basis for all months that an employee declines coverage and obtains subsidized coverage elsewhere. For 2022, the "B" penalty is calculated on a per employee basis at a rate of either \$343.33 per employee, per month or \$4,060 per employee, per year. Where an employer is assessed a penalty under the shared responsibility provisions, the IRS will issue a Letter 226-J, providing notice of potential liability based on the IRS's analysis of, among other things, information contained on Forms 1094-C and 1095-C filed by the employer. Employers are permitted 30 days to respond, and if contesting the proposed penalty, must provide supporting information.

Separately, ALEs may also become subject to penalty for failing to comply with the ACA's information reporting requirements under Sections 6721 and 7622. Under these provisions, an employer may be subject to penalty for furnishing or filing a Form 1094-C or 1095-C that was untimely, incorrect, or incomplete. The penalties associated with an untimely, incorrect, or incomplete form are \$280 per form furnished to an employee and \$280 per form filed with the IRS, resulting in a potential combined penalty of \$560 per employee. ALEs that fail to comply with the information reporting requirements will receive either a Letter 5005-A or Letter 927-CG depending on whether the employer's filing was late, incorrect, incomplete, or not submitted at all.

## RECENT INCREASED RISK OF PENALTY

**IRS Enforcement Activity.** Since the relevant provisions of the ACA became effective in 2015, the IRS's enforcement efforts have often been delayed by a matter of years; however, with a no limitations period associated with most penalties under the ACA, this delay has not insulated ALEs from liability. Moreover, the recent uptick in penalty notices suggests that the IRS's ability to analyze covered

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employer's compliance with the information reporting requirements has improved.

### Elimination of Transitional Good-Faith Relief.

Under the regulations applicable to the ACA's shared responsibility provisions, transitional good faith-relief was made available to the penalties under Sections 6721 and 6722 for furnishing/filing incorrect or incomplete information where an ALE could demonstrate that it made a good-faith effort to comply with the information reporting requirements. With the protection of this transitional relief, many entities focused predominantly on simply furnishing and filing all forms before the applicable deadlines, placing significantly less emphasis on the accuracy or completeness of the information being provided. Going forward, it is critical that employers place an enhanced emphasis on ensuring that all forms are not only furnished and filed in a timely manner, but that the information is both correct and complete. Failure to do so will open many covered employers to significant new liability.

### BEST PRACTICES FOR AVOIDING PENALTIES

#### Ensure timely, complete, and accurate reporting.

While many employers have developed a certain level of familiarity and comfort with the employer shared responsibility provisions, and what actions must be taken to avoid liability under the "A" and "B" penalties, the information reporting requirements remain a source of confusion to many. Without the protection of the transitional good-faith relief, it is advisable for all covered employers to carefully assess the adequacy of their current ACA reporting process. This should include a comprehensive review of the validity of data being utilized and the accuracy of the code determinations.

**Audit all prior ACA filings.** Employers may correct prior submissions at any time before a penalty notice is issued by the IRS. Conducting a review of prior filings may uncover incorrect or incomplete returns that can be addressed before such issues potentially result in the issuance of a Letter 226-J.

**Establish a comprehensive, monthly process for ACA compliance.** Penalties under the ACA may accrue on a monthly basis, but many employers view ACA compliance as an annual activity. To ensure compliance with both the employer shared responsibility provisions and the information reporting requirements, it is critical to approach ACA compliance from a monthly perspective, as doing so provides the opportunity to identify and remediate issues in real time, when steps can be taken to minimize or eliminate any potential liability.

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GOLD



SILVER



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SMACNA CALENDAR

**MAY**

**May 15-18**

Financial Boot Camp  
Tempe, AZ

**JUNE**

**June 5-7**

June 2022 Council of Chapter  
Representative  
Charleston, SC

**SEPTEMBER**

**September 11-14**

2022 SMACNA Annual Convention  
Colorado Springs, CO

**2023**

**March 5-9**

Business Management  
University 2023  
Tempe, AZ

**October 15-18**

2023 SMACNA Annual Convention  
Phoenix, AZ

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DJ's Mechanical Inc.	Millstone Twp., NJ
GroundLevel Mechanical	Concord, CA
Hartwig Mechanical Inc.	Harvard, IL
LS Mechanical Corporation	Carteret, NJ
Mohammed Abdul Rehman Farhat Co.	Jeddah, Saudi Arabia
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