SMACNA SOUTHERN CALIFORNIA

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Dynamic Sound Control

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SMACNA SoCal and CAL SMACNA on Capitol Hill

Combatting Workforce Issues

SMACNA SoCal Sweethearts' Ball

RESILIENCE AND UNITY IN 2024

By / Pete Fortin, SMACNA SoCal President

As we end our first quarter of 2024, I'm filled with gratitude for the opportunity to serve as your president. Our association stands as a beacon of excellence in the sheet metal and air conditioning industry, championing the values of professionalism, quality, and collaboration.

I'm pleased to note that our industry continues to show resilience. Hours trended slightly higher in 2023 compared to 2022, a testament to the hard work and dedication of each member of our association. While challenges persist, we remain cautiously optimistic about the prospects for 2024.

Additionally, I'm excited to share the success of a recent event led by our state association, CAL SMACNA. In early February, CAL SMACNA organized a highly successful Day at the Capitol, bringing together industry leaders and state legislators to advocate for policies that benefit our industry. This event provided a platform for constructive dialogue with lawmakers and policymakers, highlighting the importance of our industry in driving economic growth and sustainability. See page 3 for details.

Furthermore, it's important to highlight our ongoing commitment to supporting *Private Attorneys General Act* (PAGA) reform. As an association, we recognize the need for fair and balanced labor policies that promote growth and prosperity for both employers and employees. We will continue to advocate for reforms that address the unintended consequences of the PAGA and create a more equitable business environment.

I'm also thrilled to report the fantastic turnout at our annual Sweetheart's Ball in February. It was wonderful to see everyone come together to celebrate our industry and strengthen bonds within our community. See page 8 for photos and details.

Looking ahead, we have an exciting lineup of events planned. In April, mark your calendars for our Semi-Annual Membership Meeting/Luncheon, where we will discuss important industry updates and initiatives. In May, join us for a fun-filled Angel's game night, a great opportunity for networking and camaraderie. And in June, don't miss out on the Friends of the Industry golf tournament, a fantastic event for a great cause.

In the coming months, our association will continue to focus on providing valuable resources, networking opportunities, and advocacy efforts to support our members. Whether it's navigating regulatory changes or fostering workforce development initiatives, we are committed to empowering our members to succeed in an ever-changing landscape.

I encourage each of you to actively engage with our association, participate in events, and share your insights and expertise.

Thank you for your ongoing support and dedication to our industry. I look forward to working alongside each of you in the months ahead. ▪

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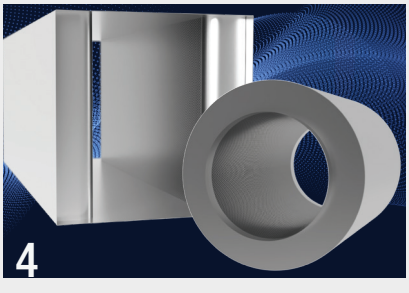

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SMACNA SOCAL AND CAL SMACNA ATTEND 2024 CAPITOL HILL EVENT

CAL SMACNA's 2024 Day at the Capitol, held February 5-6, 2024, in Sacramento, saw 35 CAL SMACNA members—including SMACNA SoCal attendees—take the opportunity to directly communicate with their legislators on issues affecting contractors in California. Key issues included the Hit the Pause initiative, asking legislators to pause all new bill introductions that create additional costs and mandates for California employers in 2024.

According to a PPIC study referenced by Pledge to Pause, 69% of employers in California feel pessimistic and need a break to catch up on the bills passed for the last decade. Visit *thepausepledge.com* to learn more.

Employers and legislators also discussed CAL SMACNA's top issues related to public works, public contracts, promotion of shop classes in K-12 public schools, PAGA legislation reform, and CARB board mandates concerning low-emission fleets.

Bryce Barler, SMACNA SoCal board member and operations manager at Southland Industries, attended the event to address all of the above issues, as well as school facility bonding in 2024.

"I thought the event was good, very educational, and valuable to our industry," he says. "I was glad to be a part of pushing for change."

SMACNA So Cal's incoming president, Gina Medel, has attended this event several times to stand in solidarity with contractors as they face legislative challenges to doing business.

"I know how hard it is for our industry and business, and when we meet with the assembly men and women, it really makes a difference," she says.

During this year's event, talks on PAGA reform and K-12 schools were productive, she says, adding that telling legislative assembly members the good and the bad helps them understand how legislation affects the people it is meant for.

"They appreciate it because they know we are busy and yet we are taking the time to talk to them about issues we are experiencing," she says. "They recognize and appreciate that, and they see we are not just lobbying. We are real people telling them about the obstacles we face and what we need to be successful."

Some of the meetings were "short and sweet" while others were a bit more involved, as employers explained that it can be difficult to do business in California, which has some laws and tax policies that prevent employers from investing in their employees. "The repercussions of that often come across as a top-level-down problem, as though contractors are against their workers," Medel says. "But if we are torn down, we can't help anyone. The Capitol Hill event helps assembly members see that perspective."

Chad Herrick, vice president of Western Allied Corporation, agrees, noting that he would appreciate more interaction with more senators and assemblypersons, either through meetings or at the Monday meet and greet.

"As many members as possible should be attending and interfacing with their elected leaders," he says. "The only way we will change the business climate is by engaging with the law makers and supporting candidates that are business friendly."

Overall, although it rained, CAL SMACNA members had a strong, well-organized turnout and made a good impression at the event.

"We hit it out of the park," Medel says. "Attending this event is important, and everyone gets a lot out of it. It's important that everyone knows the issues because you can't complain if you aren't willing to do anything about them. We all have a responsibility to take a stand and do our best." ▪

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PUBLISHER / EDITOR
Jessica Kirby • 250.816.3671
jessica.kirby@pointonemedia.com

CREATIVES
Lara Perraton • 877.755.2762
lperraton@pointonemedia.com

CONTRIBUTORS
Anirban Basu
Jessica Kirby
Stan Kolbe
SMACNA National

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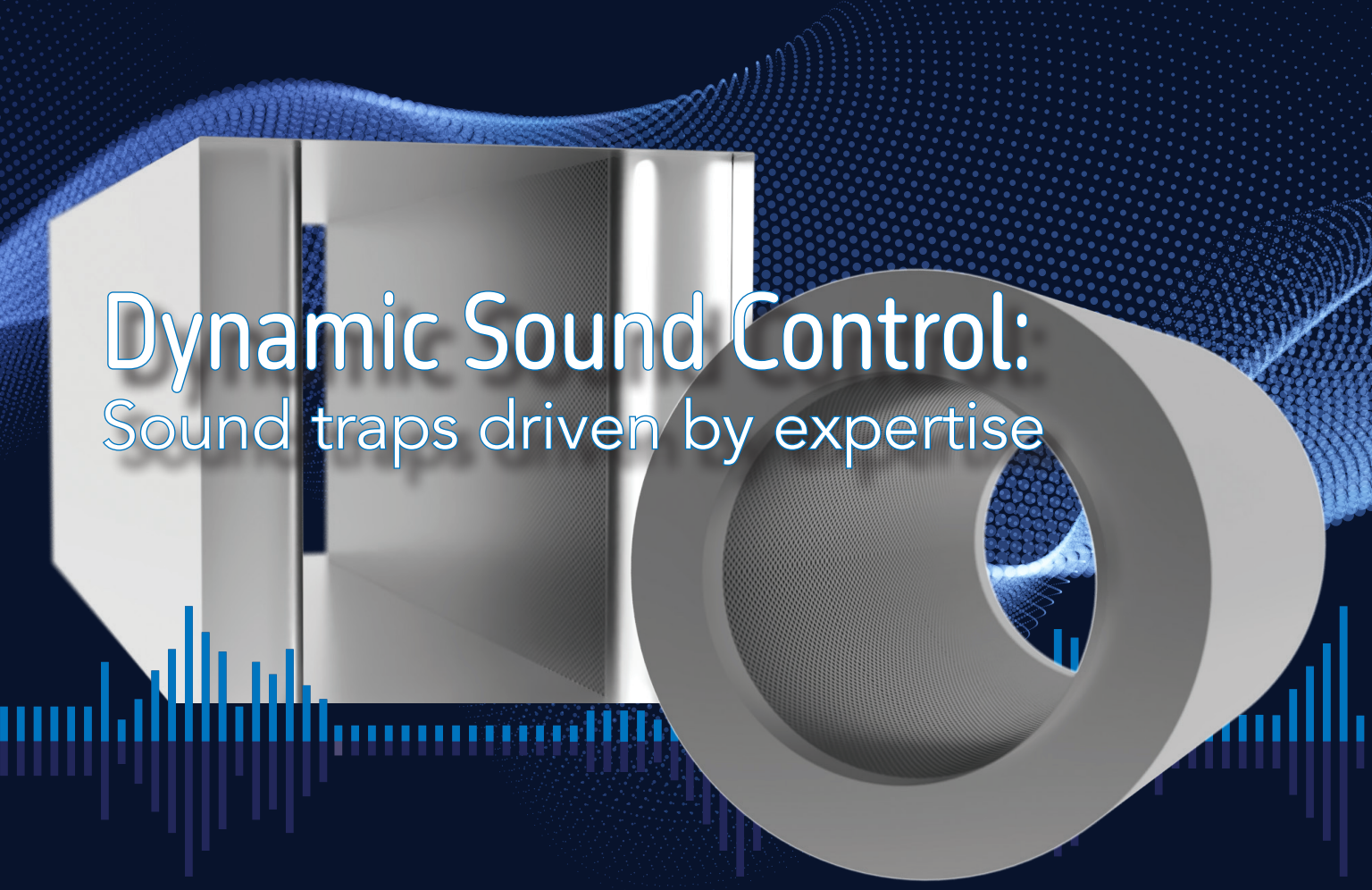

Dynamic Sound Control:
Sound traps driven by expertise

By / Jessica Kirby

Dynamic Sound Control (DSC) was founded in early 2023 to develop and manufacture duct silencers for HVAC systems. Its main offering includes commercial and industrial dissipative rectangular and circular silencers with fiberglass, and recycled cotton and recycled cotton with film lining.

Based in Pomona, California, the company is well-positioned to serve clients in the Western United States with quality products made to SMACNA standards.

"Our primary emphasis is delivering a high-quality engineered product with industry-beating lead times and at a competitive price," says Paul Lopez, president of Dynamic Sound Control and Superior BIM Solutions. "Through our research and development program, we will continuously develop products our clients need, and we are committed to great customer service throughout the process."

Lopez founded DSC with Dr. Mike Schwob and Mike Hilgert—each of whom has extensive experience in the HVAC industry and a unique perspective and skill set that contributes to a solid foundation for the company.

Lopez brings nearly 40 years of hands-on experience in the HVAC industry to the table. He has primarily concentrated on HVAC field operations, contributing to diverse projects in the healthcare, education, pharmaceuticals, residential high-rises, and aerospace industries.

Dr. Mike Schwob is vice president of engineering for DSC and president of Schwob Acoustics. He is a registered professional mechanical engineer in the State of California and actively participates on the ASHRAE and Acoustical Society of America technical committees.

Mike Hilgert is vice president of manufacturing for Dynamic Sound Control and president of Superior Duct Fabrication—a successful union sheet metal fabrication company in Pomona. While its primary focus has been on fabricating ductwork, Mike's shop has also fabricated many duct silencers over the years. He has a proven record of producing high-quality sheet metal products throughout the western United States.

When they started, Lopez and Hilgert had an idea to build or create a product that would better the industry and leverage their combined experience and expertise. The answer was sound traps.

The team was confident they could construct a higher-quality product than what the market currently offered. The

Dr. Mike Schwob

Mike Hilgert

Paul Lopez

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company's edge is the turnaround time—where the average lead time, depending on the size and quantity of an order, is three to six months. DSC was able to supply a mid-size order for a high-rise hotel project in Las Vegas within three weeks from engineering to delivery.

DSC might be a young company, but it has already made headway in the industry with a successful product research and development campaign.

"We analyzed, designed, built, and tested HVAC duct silencers with outstanding performance characteristics," Lopez says. "We focused in on what is primarily used in the industry, which is rectangular sound traps, followed by round."

The silencers were tested by an independent third-party laboratory that is NVLAP accredited for testing per ASTM E477-20, *Standard Test Method for Laboratory Measurements of Acoustical and Airflow Performance of Manufactured Silencers*.

"Our continuous product research and development efforts have resulted in numerous new products," Lopez explains. "We have compiled sufficient data to provide clients with a comprehensive catalog while we continue to expand our products."

The compay's initial market expansion involves leveraging relationships the partners have developed over the years and familiarizing them with DSC product lines. "We are committed to continually introducing new products, which include additional HVAC duct silencer geometries and materials as well as acoustical panels." Lopez says.

DSC joined SMACNA SoCal in 2023 to connect with a strong network of industry professionals. "We feel we can benefit from the wealth of knowledge and opportunities for industry growth that SMACNA offers its members," Lopez says. "We will contribute by joining some of the committees SMACNA offers and sharing our expertise in the sound attenuation industry."

The company's other main draw is that it is a local operation serving local projects. "Leveraging our experience in the local industry, we've built a solid customer base through our other ventures," Lopez says. "We anticipate that our customers will appreciate our products and the fact that they don't have to endure lengthy wait times."

Learn more about Dynamic Sound Control at *dynamicsoundcontrol.com* ▪

How Contractors Can Combat Workforce Issues

While there is an abundance of work, there are not enough people willing to do the job. Here's what contractors can do to address this issue in 2024.

Dr. Anirban Basu, Chief Economist for SMACNA National, anticipates a busy 2024 for the construction industry.

Dr. Anirban Basu, Chief Economist for SMACNA National, anticipates a busy 2024 for the construction industry.

"Construction activity is not so much driven by economic growth—that's a factor—but by economic transformation," said Dr. Anirban Basu, chief economist for SMACNA National, while discussing 2024 predictions. "And that's what we see right now. We have growth, but even more so we have transformation."

Contractors are expected to be busy on many projects in the realm of artificial intelligence, e-commerce, and the reshoring supply chains in the United States. But, as opportunities grow, so does the need for talent.

"On the one hand, contractors are extremely busy, but the No. 1 challenge by and large is finding enough workers and calling onto those workers who are skilled enough to do the job well and not create issues with client satisfaction," Basu says.

How can contractors recruit some of the younger members of the workforce?

"The younger workforce seems to be very different from older members of the workforce," Basu says. "Other members of workers seem to be very motivated by money. They're very thankful for their jobs and so forth," he says. While money is a motivator for the younger workers, they are interested in having more flexibility in their jobs. In addition, they care about social missions.

"In many cases, young people want to work for an enterprise that has a broader social mission," Basu says. "It could be to strengthen America through infrastructure investment. It could be making America safer. It could be making our air cleaner.

"Contractors need to emphasize the fact that they're doing very important work for making the world a better place, a cleaner place, a safer place, more efficient place, and to emphasize that part of the social mission as they recruit and retain those younger workers, in particular."

Basu also shared insights and forecasts about the economy and its impact on the construction industry for 2024.

- **Growing Industry Employment**
  - › Given the elevated numbers of construction job openings presently and an abundance of megaprojects set to break ground, industry employment is poised to expand in 2024.

- **Growth Opportunities in Megaprojects**
  - › Various metropolitan areas will experience a surge in manufacturing-related megaprojects.
  - › Manufacturing-related megaprojects will surge in 2024 across the country as a result of reshoring in supply chains.

• Mixed Outlook for Contractors

› The upcoming year will present varied challenges and opportunities for contractors. Contractors focusing on public works are poised for a successful year thanks to increased funding from infrastructure legislation, while those working on residential properties will likely see a shore up of projects due to a tough real estate market.

• Economic Themes

› The economy's focus on reshoring supply chains will remain prominent, alongside expectations for increased publicly financed construction in the upcoming year.

• Factors to Consider

› While recent good news on inflation is a tailwind there are several risks to look out for in 2024 including:

» High consumer debt

» Geopolitical uncertainty

» Stricter credit conditions

» The government's increasing debt burden

Contractors are expected to be busy on many projects in the realm of artificial intelligence, e-commerce, and the reshoring supply chains in the United States.

› On a positive note, bond markets suggest a likely decline in interest rates by mid-2024. This decrease could benefit by providing better support for project financing and backlog generation.

• Challenges Ahead

› For many sheet metal and related contractors, the greatest challenges will continue to take the form of retaining and recruiting talent. Wage pressures will remain apparent economy-wide and in place if the economy slows at some point next year.

» The team at SMACNA and their union partners at SMART will continue to advocate for students to become involved in the trades to help develop the next generation of talent. ▪

LEGISLATIVE UPDATE

SMACNA SUPPORTS H.R. 7024 / EXTENSION OF R&D, BONUS DEPRECIATION AND 179 EXPENSING REFORM

By / Stan Kolbe, Executive Director of Legislative and Political affairs, SMACNA

SMACNA expressed strong support for expedited Senate passage of H.R. 7024, the *Tax Relief for America's Families and Workers Act*, a bill extending and reforming the R&D credit, bonus depreciation and equipment expensing, as passed by the House (357-70) January 31.

The nation is seeing robust and record setting growth of construction activity following the enactment of major policy changes, especially the *Infrastructure Act*, *CHIPS and Science Act*, and the *Inflation Reduction Act's* private sector tax incentives. These laws have boosted the development of countless new projects for CHIPS plants, energy efficiency, and manufacturing industrial facilities in the last two years with more mega projects bidding now. Therefore, SMACNA needs government support for renewing and extending the R&D credits, 100% bonus depreciation, and 179 equipment expensing reform. Due to the rapid expansion of the mega projects, SMACNA contractors have seen an historic demand to purchase extremely expensive but highly productive new equipment to meet extraordinary project demands.

SMACNA has shared with Congress and federal policy leaders for more than a half decade that its members use and have the strongest support for three essential tax incentive provisions:

- **Retroactive Extension of the 100% Bonus Depreciation** – Would restore the 100% bonus depreciation for qualified property, instead of the current 20% annual phase down that went into effect on January 1, 2023.
- **Retroactive Extension and Permanence for 174 Research and Development Expenditures** – Would allow companies to immediately deduct R&D expenses instead of amortizing over five years.
- **Expand Section 179 expensing and interest deductibility for small businesses** – Would increase the maximum eligible amount of equipment investment and extend the point at which the benefit phases out.

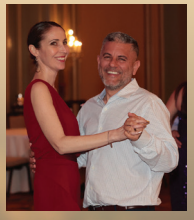
At a time when SMACNA firms are working on and bidding the largest projects in the nation, contractors face severe operational challenges due to the lapse of these three key provisions in the tax code. SMACNA urges the senate's support for H.R. 7024, especially the extension of the 174 R&D credit, bonus depreciation, and 179 equipment expensing reforms. It thanks the senate for its past support of these critical tax incentives, of vital importance to the nation's building and construction industry today and in the future, and urges expedition of H.R. 7024 as passed by the House with overwhelming bipartisan support. ▪

Welcome to the 2024 SMACNA SoCal

Sweethearts' Ball

Photos by Steve Osman

SMACNA Southern California held its annual Sweethearts' Ball on February 17 at the Langham Huntington in the Viennese Ballroom. This much-anticipated event brought together over 100 SMACNA members and their guests for an evening of fellowship, food, and dancing. Each lady went home with a pair of diamond encrusted, heart-shaped stud earrings.

The doors opened with a cocktail reception followed by opening remarks and the Pledge of Allegiance from SMACNA SoCal Executive Director, Mark Terzigni. Gina Medel, in-coming president, shared some remarks before an incredible dinner of Maine lobster bisque tarragon cream soup, tasty fresh salad, grilled Moyer Farm beef tenderloin and seared Baja California sea bass with green peppercorn sauce, decadent treats from a Viennese dessert table, and a selection of Sonoma wines.

Music from the Erin Stevenson Band endcapped a beautiful evening. ▪