



Industry Reporter

FALL 2022



Legislative Contractor of the Year: Karen Fox

Also in this issue:

Protecting Your Bottom Line from Cybercrime
Annual Meeting/Dinner Dance & Elections
Friends of the Industry Golf Tournament
Technical Seminar

TIME WAITS FOR NO MAN

The speed and amount of activity undertaken in my three years as president will leave me with a lasting impression of just how true that statement is... A lot has happened in that time. Of course, I began my term as president after COVID-19 established itself in the United States with an impact almost as destructive as a world war.

I was lucky. I began my term following an excellent leader and very successful businessperson, Mike Hilgert, Superior Duct Fabrication, who remained on the executive committee as immediate past-president. I am very blessed to have worked with a terrific team, including Pete Fortin, ACCO, as vice president; Gina Medel, Penn Air Control, as secretary; and Tom Nolan, Meadows Mechanical, as treasurer. Together, we have worked to implement a strategic planning program that will allow us to operate effectively into the future.

We negotiated two collective bargaining agreements—a one-year agreement on July 1, 2021, and a two-year agreement for July 1, 2022 to June 30, 2024. Both were under difficult circumstances. However, we were able to establish rates and terms that allowed our industry to continue to move forward with competitive wage rates in a difficult COVID economy. We were able to protect employers with 55/25 employees in addressing contract language that would limit employer liability. We also provided legal aid to member firms who had ongoing issues with the National Pension Fund and reduce future exposure to similar issues.

However, it has been most rewarding that our executive committee has been successful in maintaining a cohesive and committed board of directors—an effort that resulted from our merger with Orange Empire SMACNA and SMACNA-Los Angeles in 2016. We have all experienced the positive impacts of basing our debates and decisions on what is most beneficial



By / Hector Vargas, SMACNA SoCal President

to the industry. This commitment will only strengthen each member firm's ability to compete profitably in the future.

Another benefit of our strategic planning effort has been the development and implementation of actions that will benefit the association in the near-term future. As you may be aware, our long-time executive director, Kevin O'Dorisio, will be retiring in June 2024, after 44 years of guidance to members, directors, trustees, and our industry partners. He is a very capable director and advisor who has served this association well. In fact, Kevin is aiding the transition committee in the search and selection of his replacement.

We are confident that we can secure our next executive director through this process. Hopefully, we will have more to report on the results of this effort as we interview applicants. We are committed to honoring our past, properly recognizing our present, and establishing a solid plan and pathway for our future.

To all the members, it has been both a pleasure and an honor to have served as SMACNA Southern California President. Working alongside such intelligent, capable, and sincere board members has been a bonus. This experience has heightened my appreciation of the industry I work in and the great people I work with. Being able to give back to an industry that has provided everything I have is a gift and a blessing.

Thank you from the bottom of my heart. ▪

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MEET THE BOARD

CHAD HERRICK, WESTERN ALLIED CORPORATION

Chad Herrick is a director on the SMACNA SoCal board of directors, a term he will hold for five years. He has also been a sheet metal retirement and health fund trustee since 2019. Previously, he was involved with board-led activities, such as attending seminars and conferences and working with and learning from Tani Poe, his past-partner, mentor, and friend. Herrick is also a California Professional Engineer, ASHRAE SoCal past-president, and LEED AP accredited.

Entering the sheet metal industry was pure luck, Herrick says. After high school, he attended commercial diving school, and later moved to Louisiana to work off-shore in the Gulf of Mexico. After two years, he decided this was not the lifestyle for him, so he moved back to California and enrolled in Fresno State where he earned a degree in mechanical engineering.

“During my college education, I had no exposure to HVAC as a potential career path,” Herrick says. “The curriculum was more focused on manufacturing and machine design.

When Herrick was close to graduating, a branch manager from Southern California Air Conditioning Distributors (SCACD) in Bakersfield contacted the engineering dean about potential graduates to hire.

“Since Bakersfield was my home town, the referral was offered to me,” Herrick says. “That turned into a job interview and eventual employment in the City of Industry Branch.

Herrick left SCACD after a couple of years and moved to a consulting engineers office, and a couple of years after that began his career at Western Allied.”

“I have been there 21 years and now serve as a vice-president and partner of the firm,” he says. “I have been blessed with a great career and my entrance into it was purely by happenstance. So, I consider this lucky.”

Herrick lives by some sound advice: “Do your homework. 80% of the job is doing it,” he says. “Take ownership of your



work. Be curious. Have fun. Do what is best for the job. Listen to understand instead of to respond.”

Over 26 years in the industry, Herrick has seen it face and overcome many challenges, but one remains a constant variable: the labor pool. “Replacing the talent drain in the field and technical staff office resulting from the Baby Boom retirement is an on-going concern,” he says. “It can be difficult to recruit young talent to a relatively small and unknown industry.”

Addressing and assisting with recruitment needs is something Herrick says SMACNA works hard to address. As a board member, Herrick continues to “serve as needed, in whatever capacity that requires.”

“I have a blessed career and the industry and Western Allied have given me a great life,” he says. “I hope to be able to give back.” ■



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Legislative Contractor of the Year:

Karen Fox

SMACNA SoCal member Karen Fox was awarded the Legislative Contractor of the Year Award at the 2022 SMACNA National Convention

By / Jessica Kirby

Besides being president of Precision Air Balance Co. in Anaheim, CA, Karen Fox is a SMAC PAC Triple Diamond President's Club Member, College of Fellows Member, and former Legislative Committee Chair.

She has led many local, state, and national SMACNA committees and also finds time to run a successful business. She has attended political events across the country—meeting with her members of Congress, her state's governor, and other leaders in Washington, DC—to expand SMACNA's influence.

"The distinguished Legislative Contractor of the Year award is given to a contractor in recognition of their exceptional effort and unsurpassed leadership in legislative and political action on behalf of their company, their association, and their industry during the preceding year," says Stan Kolbe, executive director, government & political affairs, SMACNA National. "Karen Fox learned long ago—well before she was honored with a prominent national SMACNA committee leadership role—why SMACNA contractors must make their

voices heard by government. She knew early on that spectating is not an option when there are so many efforts to pass rules, regulations, and legislation harmful to union contractors."

Fox has been active in the legislative arena since 1998, going to local functions for legislators and writing letters to national and state representatives.

"I served on our local legislative committee during this period," she says. "I volunteered to go onto the national legislative committee in 2007 and was asked to chair it in 2011. I served as chair of the legislative committee until spring 2021."

Fox stepped down from the committee and the SMACNA-SoCal legislative committee in 2021 because "it was time," though, she still attends local events, California Day at the Capitol, and the National Legislative Conference.

"COVID-19 did cause a pause in the in-person meetings," she says, "but there were still a few Zoom meetings, which worked out well."

“Whenever asked to speak up for SMACNA on any issue, she eagerly volunteers and brings pride and respect to our association at every opportunity.”

—Stan Kolbe, executive director, government
& political affairs, SMACNA National



Over the years, Fox has dealt with many important national issues, including pension reform, tax reform incentives, commercial, residential and industrial energy efficiency initiatives, tax reform initiatives, independent contractor/misclassification reform, green energy (co-generation), infrastructure, PLA/Davis Bacon, and 3% withholding on federal contracts, which was not implemented because of her meetings with legal advisors for the House committee.

“She is a respected industry leader and has been a critical player in ongoing lobbying efforts to reform registered energy efficiency, *Miller Act* payment bonding reform, apprenticeship laws and regulations, pension reform, infrastructure policies, and prevailing wage enforcement legislation,” Kolbe adds. “Whenever asked to speak up for SMACNA on any issue, she eagerly volunteers and brings pride and respect to our association at every opportunity.”

Fox’s experience with this breadth of topics has been that real change takes time.

“It takes time, and you have to advocate for these issues,” she says. “At the same time, it takes action and physically meeting with the representatives on an ongoing basis to get some of the issues over the finish line.”

Fox encourages contractors interested in legislative work and action to get involved, go to the CA SMACNA Day at the Capitol, and attend the National Legislative Meeting to find out how rewarding this work can be.

“Be a voice for our industry,” she says. “However, it does take time, and you must be patient. You have to be willing to present your issues in a logical, organized manner. Unfortunately, our government, whether state or national, moves very slowly.”

Though it may take years of advocating for issues before industry actually sees the results of people’s time and labor, it is worth the hard work and persistence. “Be willing to write letters of support for our issues, when asked,” Fox recommends. “Most of all, you have to believe in the issues you present and be passionate when you are meeting with the representatives or their staff.”

One of the biggest things Fox learned early on was that meeting with the right staff member can be just as important as meeting with the representative.

“Staff does the research and brings that information to their boss,” she says. “Numbers are impressive in our meetings on the Hill. It shows that the contractors are invested in what they are presenting, that they have skin in the game, so to speak.” ■

OCTOBER, 2022 SMACNA ISSUES UPDATE AND REPORT HIGHLIGHTS

Hill lobbying continues to focus on key issues in coalitions and alone on the following priority positions:

- **Extending both the equipment **bonus depreciation (Section 179)** and **R&D credits**.**
- **Project labor agreements** – building support for Executive Order covering projects over \$35 million (with exceptions) to outflank attacks.
- **Davis-Bacon Act** – supporting the process of regulatory reform with Members of Congress and opposing repeal efforts.
- **Pro Codes Act** – supporting reforms to boost the copyright protection of codes and standards issuing groups/coalition s and SMACNA.
- **Pension Reforms** – monitoring opportunities to advance our policy position as part of generic pension legislation and various packages as a possible amendment to the end of year package.

- **Main Street Efficiency Act** – small business efficiency grant legislation advocated with coalition partner Alliance to Save Energy and alone.
- **Supporting continued funding stream for school construction** programs included in the American Rescue Plan intended for four years of retrofits.
- **Boosting registered apprenticeship program** support and general workforce development programs for construction industry.
- **Advocate passage of the SAFE Banking Act** in Senate to provide access to the federal banking system for cannabis related industries.
- **Change Order Reform/Small Business Payment for Performance Act** – to provide payment on approval for half of a change order amount, expedited resolution of the remainder once certified by the contracting officer.

How to Protect Your Bottom Line from Cybercrime

Cybercrime is taking its toll on businesses of all sizes across the country—find out how to protect your company today.

By Jessica Kirby

This summer, SMACNA SoCal held a cybersecurity seminar titled, “How to Protect Your Bottom Line from Cybercrime” presented by Adrian Francoz, CEO at Zeta Sky, one of the association’s newest members.

Francoz, who speaks multiple times a year on this topic and works closely with cyber intelligence partners, including the FBI, presented on what contractors need to know about how hackers target the industry, the tactics they use, and practical advice on how to protect contracting companies.

“Cybersecurity is a real threat for anyone who is connected to the internet or even phones, especially employees of a business,” he says. “One of the biggest misconceptions is that cybercriminals primarily target big companies, like the ones you hear about on the news. The reality is, cybercrime has ramped among small and medium businesses.”

According to a list of small business cybersecurity stats from *Fundera Ledger*, 43% of cyberattacks target small businesses and 60% of those victims go out of business within six months.

“Most businesses do not have the necessary defenses against today’s cyberattacks, and criminals see most small-medium sized businesses as easy targets because they handle customer



Adrian Francoz, CEO at Zeta Sky

data and don’t necessarily have the resources to keep it as secure as a larger company might,” Francoz says.

One of the most common types of attacks is RansomWARE, which locks (encrypts) a business’s files and forces the business to pay a ransom to unlock the data.

“If the business does not have a reliable and secure backup system, they are often forced to pay the ransom,” Francoz says. “Between the ransom demands and costs in downtime

“One of the most effective things you can do is train your employees on cyber awareness.

Most cyberattacks start by phishing employees by email to get them to click on a link or hand over sensitive information.”

and recovery, the loss for small businesses from cyberattacks can easily add up to \$500,000 or even \$1 million.”

Cyberattacks affect a business for an average of three weeks, if the business has a valid recovery plan and cyber-liability insurance to recover fully.

“During that time, the business can be paralyzed with minimal (if any) access to their data and emails,” Francoz says. “This can lead to loss of revenue, frustrations with clients, employees, and vendors, and damage to reputation. In the worst case scenarios, we have witnessed companies go out of business when the damages are too large to recover from.”

At the SMACNA SoCal presentation, Fracoz discussed why hackers are targeting specific companies, where the attacks originate from, most common tactics used to trick employees, and, perhaps most importantly, how to keep these criminals out of your business.

There are multiple important layers to consider in a good cyber defense, but the best place to start is partnering with a cybersecurity provider (like Zeta Sky) to run a vulnerability scan on your network, so you can find out where the weaknesses are in your network before a cybercriminal does.

“One of the most effective things you can do is train your employees on cyber awareness,” Francoz says. “Most cyberattacks start by phishing employees by email to get them to click on a link or hand over sensitive information.”

Francoz also recommends using multi-factor authentication and a password manager on a business network.

To learn more, visit the National Cybersecurity Alliance at staysafeonline.org or attend a cybersecurity seminar in October (Cybersecurity Awareness Month) or any time to learn how to strengthen your defenses.

“Of course, reach out to an experienced cybersecurity firm to take a look at your company’s current cyber defenses to identify any improvements you can make,” Francoz says.

Learn more about Zeta Sky and cybercrime | zetasky.com

Connect | Facebook @ZetaSkyLLC | Twitter @ZetaSkyIT | LinkedIn @zeta-sky ▪



Cybersecurity Stats from Fundera Ledger

- Cybercrime costs small and medium businesses more than \$2.2 million a year.
- 47% of small businesses say they have no understanding of how to protect themselves against cyberattacks.
- Human error and system failure account for 52% of data security breaches.
- 1 in 323 emails sent to small businesses are malicious.
- 63% of confirmed data breaches leverage a weak, default, or stolen password.
- 50% of small and mid-sized businesses reported suffering at least one cyberattack in the last year.
- 40% of small businesses experienced eight or more hours of downtime due to a cyber breach.
- 54% of small businesses don’t have a plan in place for reacting to cyberattacks and 83% don’t budget for it.
- 91% of small businesses don’t have cyber-liability insurance.
- Downtime accounts for an average of \$1.56 million in losses
- Small businesses spend an average of \$955,429 to restore normal business in the wake of successful attacks.
- Cybersecurity Ventures says cyberattacks will cost the world \$10.5 trillion annually by 2025.

(See the full list at fundera.com/resources/small-business-cyber-security-statistics)



2022 ANNUAL MEETING/DINNER DANCE & ELECTIONS



Photos by / Steve Osman

SMACNA SoCal members and their guests met in October at the Ritz-Carleton, Marina del Rey, for the annual meeting/dinner dance and elections.

The event began with a cocktail reception, which preceded opening remarks and the pledge of allegiance led by SMACNA SoCal Executive Director, Kevin O'Dorisio. Association president Hector Vargas gave welcoming remarks and presided over the AGM and election. 2022-24 president Pete Fortin followed with remarks on his coming term.

Official business was followed by a wonderful dinner for the 74 attendees, and music was provided by Erin Stevenson Band. ■

SMACNA Southern California Board of Directors

Officers

- President: Pete Fortin, ACCO Engineered Systems
- Vice-President: Gina Medel, Penn Air Control, Inc.
- Secretary: Michael Dean, AireMasters A/C
- Treasurer: Tom Nolan, Meadows Mechanical
- Immediate Past President: Hector Vargas, ACH Mechanical

Directors

- Bryce Barler, Southland Industries
- Kent Cooper, LA Air Conditioning
- Karen Fox, Precision Air Balance
- Chad Herrick, Western Allied Corporation
- Mike Hilgert, Superior Duct Fabrication
- Carmen Koo, Applied Air Conditioning, Inc.
- Norm Lussier, Direct Air Conditioning
- Wayne Lyons, Graycon Inc.
- Kevin Michel, Xcel Mechanical
- Richard Rivera, Key Air Conditioning, Inc.
- Brad Young, Wittler-Young Co.

Sheet Metal Industry Fund Southern California

Chairperson

- Bruce Middleton, AireMasters A/C

Trustees

- Denny Cagampan III, Wittler-Young Co.
- John Coutts, Air Handlers Supply Inc.
- Carmen Koo, Applied Air Conditioning
- Dan McColl, CIMCO Sheet Metal
- Taylor Mortensen, Superior Duct Fabrication





Photos by / Steve Osman

In his post-event speech, tournament chairperson Richard Rivera also acknowledged the hard work and terrific job achieved by SMACNA SoCal's Marketing Committee, chaired by Carmen Koo, Gina Medel, Taylor Mortensen, Amanda Sanchez, Breina Liberman, and Ron Hickey, to make the event a success. He also called upon Kevin O'Dorisio, Kim Williams, and Rubi Diaz in appreciation.

“We would be remiss if we did not recognize a leader in the industry who has earned our praise,” Rivera added. “Our friend, SMART Local 105 Business Manager/President Luther Medina has joined us on the course today and has also announced that he will retire next month after a long professional life filled with hard work and service to his union. Luther, our best wishes, and thanks go with you as you embark on this latest chapter of your life.”

SMACNA Southern California donates to the Wounded Warrior Project with proceeds from the golf tournament, and this year donated another \$2,500. "May God Bless the men and women who have given so much to their country," Rivera said.

Fifty-two companies and individuals sponsored holes this year. The money raised this way is used to provide each participant with great tee and raffle prizes. Without these generous donations, SMACNA SoCal could not offer members the level and quality of golf experience this event offers.

SMACNA Southern California is looking forward to member support and participation again next year. ■



TECHNICAL SEMINAR – FIRE SMOKE DAMPER & SMOKE CONTROL SYSTEMS

SMACNA SoCal held its annual technical seminar at the end of September. The topic was Fire Smoke Damper (FSD) and Smoke Control Systems (SCS), introduced by Kevin O'Dorisio, executive director, SMACNA Southern California, and Tony Kocurek, SMACNA President.

The morning academic session started with presenters Christopher Ruch, director of training for NEMI, and Tony Kocurek examining sheet metal workers' and contractors' perspectives on fire smoke dampers and smoke control systems. Eli Howard, executive director of technical services and research for SMACNA National, followed with an overview and discussion of SMACNA's new version of the *Fire, Smoke and Radiation Damper Installation Guide for HVAC*.

After a short break, Robby Dawson, National Fire Protection Association Southeast Regional Director, discussed the role of the NFPA and its FLS Safety Ecosystem and FSD/SCS resources.

The next sessions involved skilled trained workforce demonstrations, including a SCS mock-up exhibiting a stairway and floor event, presented by Laura Harris and David Schnabl, instructors at the Regional Training Center. Harris and Schnabl led a demonstration and discussion of the importance of correct stairway pressurization.

Robert Robert Vasquez and Eddie Orozco from Western Allied Corp. demonstrated an FSD installation, covering inspections and testing procedures in a subsequent discussion. Following this, they also led a demonstration of FSD failures in a mock-up.

After lunch, attendees learned about Mechanical Acceptance Testing requirements in a presentation by Christopher Ruch. This discussion examined the intent and history behind mechanical acceptance forms, the benefits of properly completed forms, and a basic understanding of the most common forms.



Ruch also explained when mechanical acceptance forms are required, where they are required to be completed, and who can complete them. The training concluded with an overview of how to verify the status of a certified Mechanical Acceptance Testing Technician (MATT) and Mechanical Acceptance Testing Employer (MATE) and make complaints to the Acceptance Testing Technician Certification Provider (ATTCP) when the submitted forms are in question.

The following technical resources are available to attendees and SMACNA SoCal members. Check with the SMACNA SoCal office for more information:

- Fire smoke damper and smoke control systems
- Contractors offering FSD and SCS training
- National Fire Protection Association
- SMACNA National
- Mechanical Acceptance Testing Resources
- Free Inspector and Design Professional Training
- Find a Contractor Offering Mechanical Acceptance Testing at ATTCP.org ■



NEW TAX LAW AFFECTS EXPENSING, ENERGY EFFICIENCY



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

This year, a long list of highly positive SMACNA tax reforms has been enacted as part of new and historic tax laws for residential, commercial, industrial, and public building efficiency retrofits and related upgrades. SMACNA's top remaining priority tax item is to extend and/or make permanent the equipment bonus depreciation provision passed in 2017 as part of the *Tax Cuts and Jobs Act* (P.L. 115-409).

After the 2017 *Act* change, for the first time, many energy efficiency improvements to HVAC and related efficiency upgrades were able to qualify for favorable tax treatment under IRS Section 179 expensing tax rules. For five years, the costs of certain energy efficiency improvements have been fully and immediately deducted as business expenses rather than recovered far more gradually through decades-long depreciation schedules. As few may realize, **Section 179 bonus depreciation will begin to phase down in 20% increments starting in 2023 until it disappears, unless Congress acts** to extend the vital equipment tax provision at the current 100% level. If it fails to do so before 2023, the bonus depreciation will drop to 80% and then 60% in 2024 until it continues to phase out by 2026.

SMACNA staff and members have been working with key members of Congress from both parties on the tax and business investment committees to build a growing momentum for making Section 179 permanent at the 100% level. A fallback position is also developing to extend the current 100% deductibility level into 2024 until the tax deduction can be reformed and made permanent. While more work needs to be done to secure this legislative goal as part of the House tax extenders package, it is a goal in sight with strong sponsors and cosponsors in the House tax leadership.

In the past, when a business made a purchase, it had to make an accounting decision whether to capitalize or expense a cost. There were outdated and complex rules that applied, and which guided this decision. In the case of energy efficiency measures,

like heating and cooling systems, lighting, and roofing, the costs have generally been capitalized and depreciated over a period consistent with generally accepted accounting principles. The depreciation period was much longer than the expected useful life of the measure, which meant that businesses had to "write off" the undepreciated value. This amounted to a disincentive to make replacements, and it caused businesses to turn to repairs to keep older, inefficient equipment up and running, never fully realizing considerable energy efficiency savings.

Explaining the New Expensing Provision to HVAC Clients

Historically, HVAC system capital investments have been depreciated over a timeline up to 35 years, depending on a building owner's specific tax situation. The current tax law allows HVAC system investments made since January 1, 2018, to be fully expensed (for investments up to \$1,000,000/building). This can have a significant impact in first-year cash flow and project return on investment for the building owner.

Impact of Bonus Depreciation

The "bonus depreciation" section of the tax law also recognized the value that certain building infrastructure components play and that each deserves immediate expensing as opposed to long-term depreciation. By reducing the first cost of roof replacement, for example, this incentivized building owners to upgrade their insulation levels and incorporate higher performance roofing systems to boost building resilience and energy efficiency.

Without question, this valued tax provision is one worth fighting to extend, and it is one that contractors should continue to use and promote as a key efficiency option to clients. The statutory language from the IRS Section 179 is straightforward but should be reviewed with accounting and legal advisors ▪

SMART Local 105 2022 Holidays

Holidays	LA/OE Commercial	Industrial	Bakersfield Commerical	Orange Empire Residential	LA/OE S&M	Bakersfield S&M	LA/OE Residential	Bakersfield Residential
Veteran's Day Friday, November 11, 2022	✓	✓	✓	✓	✓	✓	✓	✓
Thanksgiving Day Thursday, November 24, 2022	✓	✓	✓	✓	✓	✓	✓	✓
Friday after Thanksgiving Friday, November 25, 2022	✓	✓	✓	✓	✓	✓	✓	✓
Day Before Christmas Eve Friday, December 23, 2022		✓	✓					
Day after Christmas Day Monday, December 26, 2022		✓	✓	✓	✓	✓	✓	✓
Day after New Year's Day Monday, January 2, 2023		✓	✓	✓	✓	✓	✓	✓