

## ‘The Jackhammer Elegies’



Mark Zweig

Novel pays homage to engineering profession and is a great airplane read, Mark Zweig writes.

**T**he week before Christmas, I had to go on two business trips – one to Florida and one to Southern California.

While the seats are terrible (unless you’re 4’10” tall and weigh no more than 85 lbs.), one positive aspect of flying is that you get to read books. Even though I have an iPad (courtesy of my former business partner, who said it would “change my life”), I prefer the portability (and the fact I don’t have to turn it off on takeoff or landing) of a real book. For this trip, I grabbed a new novel entitled *The Jackhammer Elegies*, sent to me by the book’s author, Stefan Jaeger, an ASCE staffer.

I’ll start by telling you that it’s a great read. Jaeger clearly demonstrates his knowledge of the engineering business in this exciting, 450-plus page work. I’m frankly jealous of what he’s created here, as one of my personal goals in life has been to write a novel on this business. He beat me to the punch – and did a beautiful job of it.

All of Jaeger’s characters are fully developed human beings that could be people you and I know. Over the course of the novel you get the idea they may be based on real people somewhere. I don’t want to give the plot away, but if you like seeing a successful, smart engineer as the main character (I know I do!) this book is for you.

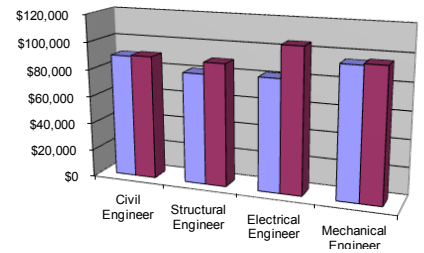
What I most enjoyed about Jaeger’s writing is his lack of overly detailed, tedious descriptions of everything – a trap some fiction writers fall into and a problem that wastes the reader’s precious time. He is also a master of vocabulary and avoids the temptation to use big words when smaller ones will do and minimizes the use acronyms (here he departs from our business!).

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## T R E N D L I N E S

### PM pay



Salaries for project managers at leading engineering firms have risen this year, according to the 2013 “Salary Survey of Mountain & Pacific Engineering Firms.” For example, the median base salaries for the following engineering titles at the project manager level increased from 2012 to 2013: civil engineers from \$89,527 to \$90,189, structural engineers from \$80,704 to \$89,232, electrical engineers from \$81,875 to \$105,000 and mechanical engineers from \$95,000 to \$96,033.

– Margot Suydam, Survey Manager

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## A/E BUSINESS NEWS

**MEET AIA'S NEW PRESIDENT:** Mickey Jacob, managing principal at Urban Studio Architects in Tampa, Fla., was inaugurated as the 89th president of the American Institute of Architects during ceremonies held on Dec. 7 at the Ronald Regan Building and International Trade Center.

He succeeds Jeff Potter in representing over 80,000 AIA members.

"I look forward to working together to harness our power to shape the future of the architecture profession with a priority on building leadership and enhancing the impact and role of our emerging professionals," Jacob said.

"It is our duty to promote thoughtful leadership, bold advocacy and effective communications to promote the value of design and increase the public awareness of how architecture positively impacts the quality of life in our communities."

Jacob has more than 25 years of AIA participation holding numerous leadership positions with AIA Tampa Bay, AIA Florida, and AIA National.

Following his term as president of AIA Florida in 2004-2005, he served as the 2007-2009 AIA Florida/Caribbean Regional Director on the AIA National Board of Directors. In 2009, he was elected to a two-year term as an AIA vice president.

A native of Windsor, Ontario, Canada, Jacob graduated from the University of Detroit in 1981 and began practicing in Tampa, where he was licensed in 1986.

In 1989, Jacob and his partners formed Urban Studio Architects, an architecture and interior architecture practice with a focus on sustainable design practices in a variety of project types.

Jacob oversees the day to day business operations, the development of the firm's strategic direction, and the implementation of business development.

**BUILDING RESILIENCY ON AGENDA:** The Building Resiliency Task Force, established in response to the destruction caused by Hurricane Sandy, met for the first time on Dec. 19 and will focus on preparing New York City buildings for future extreme weather events, including the potential effects of climate change.

The Urban Green Council joined with City Council Speaker Christine Quinn, the Bloomberg Administration and industry stakeholders for the inaugural meeting.

The council, the nonprofit organization that spearheaded the city's successful Green Codes Task Force from 2008-2010, is leading the Resiliency Task Force's review of current building codes and operational practices.

Recommendations on adapting these codes and practices to help buildings better withstand the effects of weather hazards will be released next year.

"Hurricane Sandy caused an unbelievable amount of destruction to New York City, but it also proved our resilience. As the consequences of climate change continue to threaten our infrastructure, now is the time to make sure the city's buildings are as tough as its citizens," said Russell Unger, executive director of the Urban Green Council.

"We are honored to continue our work with the Speaker and Mayor to make New York City's buildings as safe and sustainable as possible. The Task Force is unparalleled in its technical expertise, and I'm confident that we'll help steer the city toward a sustainable future."

The Urban Green Council has had a successful track record in spearheading the Green Codes Task Force and advocating for New York City legislative changes (with 37 proposals now enacted), making the organization ideally suited to lead the charge.

The council is leading a Task Force team of representatives from the Mayor's Office and the city as well as nearly 100 members from the real estate and construction industries, including owners, engineers, city agencies, code consultants, architects, and property managers.

Task force members include: Les Bluestone, Blue Sea Development Co.; Rich Cohen, NYU Langone; Martin S. Dettling, Albanese; Robin Guenther, Perkins + Will and Health Care Without Harm; Maureen Mahle, Steven Winter Associates; Charlotte Matthews, Related; Sukanya (Suki) Paciorek, Vornado Realty Trust; and Eric Rudin, Rudin Management.

While sustainable building has always been a priority for the City of New York, Hurricane Sandy brought a new sense of urgency.

Future storms and potential impacts of climate change were discussed at the meeting.

"Coastal floods are projected to occur more frequently and extend further inland due to sea level rise. Similarly, the risks of heat waves and intense rains will also increase. Our buildings need to be prepared for the likely climate hazards they will face," said Cynthia Rosenzweig, senior research scientist at NASA Goddard Institute for Space Studies, who spoke at the inaugural meeting.

MARK ZWEIG, from page 1

The Jackhammer Elegies combines elements from Robert Ludlum and John Grisham with a strong dose of the engineer as hero. Buy the book. You can get it on Amazon.com. And let's all hope Jaeger is hard at work on a sequel! ▲▲

MARK ZWEIG is the chairman and CEO of ZweigWhite. Contact him with questions or comments at [mzweig@zweigwhite.com](mailto:mzweig@zweigwhite.com).

### MANAGEMENT FROM A TO ZWEIG:

Management From A to Zweig, Revised Edition is a journey through the halls of A/E/P and environmental consulting firm management from the founder of ZweigWhite, Mark Zweig. For more than two decades, Mark has been the voice of reason in the A/E/P and environmental industry. His weekly editorials in The Zweig Letter have inspired, informed, and sometimes infuriated A/E/P and environmental consulting firm leaders across the country. And we have every editorial Mark has written for The Zweig Letter in one massive volume of his collected works on such topics as leadership, ownership transition, marketing, business development, recruitment and retention, and more.

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## GOVERNANCE

# Sorting BOD conflicts peacefully

From outside help to decorum, firm leaders share how they handle internal disagreement.

By LIISA SULLIVAN  
Correspondent

It's a given that the occasional conflict will arise between board members and management. And, how you deal with those conflicts is key to keeping business running as usual. Here, we

“Simply put, when the two bodies have opposing views a third-party is brought in to facilitate discussions and compromise. Why a third-party? Because when the two are truly at odds it takes a third-party to remind each of their respective roles and obligations as well as the global goals of the company.”

asked a few top A/E leaders what strategies they use to keep the peace.

**BRING IN A THIRD-PARTY.** William Bracken, president/principal engineer at **Bracken Engineering, Inc.** (Tampa, FL), says that when a difference of opinion arises, the firm has a protocol in place.

“Simply put, when the two bodies have opposing views a third-party is brought in to facilitate discussions and compromise,” Bracken says. “Why a third-party? Because when the two are truly at odds it takes a third-party to remind each of their respective roles and obligations as well as the global goals of the company.”

Bracken finds that the most frequent sources of conflict between the BOD and management tend to have to do with money. For example, when it comes to deciding on how best to divide the profits between salary increases, research and development, expansion, etc., tempers may flare.



William Bracken,  
President/  
Principal  
Engineer,  
Bracken  
Engineering, Inc.

**CLEARLY IDENTIFY ROLES.** Geoffrey Butler, president, **Butler, Rosenbury & Partners, Inc.** (Springfield, MO), an architectural and engineering design firm, says the firm tries to maintain order by operating under Robert's Rules of Order.

“When the BOD is not happy with management, they call a board meeting and have a good discussion of it,” Butler says. “The management is charged with running the business operations and the BOD's role in business operation is solely to set a direction for the company and to hire the president, who then hires his management team. The BOD tells the president what their expectations are

and if management does not follow through they have the right to fire him/her.”

Butler adds that many design firms are closed enterprises and there are usually no outside investors; the BOD and management team are all owners. As a result, the dynamics are a little different.

“Firing the president would also mean buying him out at a premium since the stock price is set internally based on the perceived value (often a multiple of profits),” Butler says. “As a side note we created our BOD so that the ownership would feel like they had a say in what was going on. It works, but it's hard work. I have had to change from a sole practitioner who was accountable to only my wife to a president accountable to a BOD and all the shareholders. We have 10 shareholders and seven on the BOD. Good fun!”

Like Bracken, Butler also finds that money is a key source of conflict.



Geoffrey Butler,  
President, Butler,  
Rosenbury &  
Partners, Inc.

“Usually the management is doing what they think they need to do to maintain the firm operations and balancing debt and income,” Butler says. “Often, there are questions on how much or little money is spent on marketing or administrative costs. Retained earnings are often

looked at as something that could be distributed when it needs to be kept at a certain level to deal with day-to-day expenses and the unexpected expenses that do happen. The BOD members are usually not well-versed in business. They are design professionals. The principal who is president is charged with doing the business while still being a practicing design professional. So, there is a lot of teaching going on at board meetings.”

**STRATEGIC CHANGE UNDERWAY.** Paul Jewel, COO and principal planner, **Nelson/Nygaard Consulting Associates** (San Francisco, CA), a firm that specializes in transit and multimodal transportation planning, says that its BOD has, up until this day, functioned more as a management group than a true BOD. The BOD gets involved in many decisions (personnel, who attends which conferences, etc.). This goes back to the days when the company was a small, 20-person firm with four shareholders and those four people were both the board and the firm management group.

Today, Nelson/Nygaard has nine shareholders, five board members and 82 employees; yet the BOD still functions primarily as the management group.

“All of the shareholders agree that this is no longer the proper role for a BOD,” Jewel says. “Our biggest problem today is that the BOD gets involved in so many things that it slows down our decision-making process as we try to capture input from everyone. It's just not efficient or effective.”

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## NEWS

# Energy requirements to impact industry

Conservation is a matter of importance in the U.S. due to high consumption.

The International Code Council, responsible for energy efficiency standards for buildings in the U.S., recently issued an update of the 2012 International Energy Conservation Code (IECC). Among other changes, the 2012 code contains more stringent requirements for insulation in new buildings throughout most of the United States in order to improve the energy efficiency of buildings.

Energy conservation is a matter of growing importance in the U.S., where buildings account for nearly 40 percent of total energy consumption and 70 percent of electricity use. Although China's energy consumption is highest in the world, the U.S. ranks number one in per capita use.

Due to its significance, the building industry committed itself to make a valuable contribution to reduce per capita energy use in the U.S. This commitment is reflected in the goals set by the U.S. building industry, along with the American Institute of Architects, to significantly reduce fossil fuel consumption and reach carbon neutrality by 2030.

Heimo Scheuch, CEO of the largest brick company in the world, Wienerberger AG – headquartered in Austria – was in the U.S. recently to discuss the impact of 2012 energy code requirements on the construction industry and simple solutions for code compliance.

Code compliance can be a significant hurdle for architects, builders and contractors, who need easy-to-install, efficient and cost-effective building solutions. The new minimum standard for insulation will be R20, where R-value is the measure of heat flow resistance. As a result, the traditional 2x4-inch framed wall with batt insulation does not meet the 2012 code.

Code compliance can now be achieved in two ways: using 2x6-inch studs with batt insulation OR by adding continuous sheet insulation to 2x4-inch stud construction. Continuous sheet insulation attached to studs creates a “wall” next to exterior brick and minimizes heat loss by providing a weather-resistant barrier. Brick is one of the world's oldest green building materials: The unique combination of durability and thermal mass properties of brick – as compared to other exterior building materials – significantly decreases the load on heating and cooling systems.

Brick is a “breathing” material and thereby guarantees not only a healthy indoor climate but also balances temperatures. In contrast to many other building materials, brick absorbs temperatures, which keeps a home or office cool during the warmer months and warm during the cooler months. This is why building with brick supports lower energy consumption.

Scheuch stresses the economic rationale of a brick house.

“You can not only save energy costs with a brick house, but maintenance costs are very low,” Scheuch said. ▀▲

## BOD, from page 3

As a result, Nelson/Nygaard is in the midst of completing a strategic planning process. One of the strategic initiatives involves updating the corporate organizational structure and defining a new role for the BOD.

“We are most likely going to form a daily management group (consisting of the COO, the business manager and one team leader/principal from a satellite office),” Jewel says. “This group will handle all day-to-day decision-making.”

The BOD's new role will likely be limited to:

## RESOURCES

**ENGINEERING SALARY SURVEYS:** The 2013 “Engineering Firm Salary Surveys” are the most up-to-date and comprehensive compensation survey reports for engineering firms operating in each region of the U.S.

Based on data from a broad sampling of engineering firms in the region reporting salaries for all positions, these reports are the new standard for firm leaders and human resources directors looking to benchmark their staff's compensation against their peers.

Choose from these regional editions:

- Northeast & South Atlantic edition
- Central (north & south) edition
- Mountain & Pacific edition

Each regional survey includes data for a wide range of technical staff – from civil, structural, electrical, mechanical, geotechnical, environmental, and traffic/transportation engineers, to architects, landscape architects, planners, construction managers, and land surveyors.

Technical staff data are broken into five levels – entry-level, project engineer, project manager, department head, and principal.

The report also shows salaries for management positions – such as presidents, CEOs, CFOs, branch managers, and others – as well as IT, marketing, and administrative staff.

Descriptions and average years of experience are included for all titles in the survey. Data are clearly broken out by state or region and firm size so you can make comparisons between your firm and others just like it.

Trend data is included so you can see how salaries for every type of position has changed over the years.

For more information or to buy a copy, call 800-466-6275 or log on to [www.zweigwhite.com/p-1159-salary-surveys-of-engineering-firms-2013.php](http://www.zweigwhite.com/p-1159-salary-surveys-of-engineering-firms-2013.php).

- 1) Approval of annual operating and capital budgets
- 2) Hiring/firing of corporate officers
- 3) Approving strategic initiatives and corporate vision
- 4) Miscellaneous items as deemed necessary by the COO. ▀▲

## SURVEY

# Operating expenses keep rising

Whether it's fringe benefits or rents, costs have not softened during recession.

By CHRISTINA ZWEIG  
Contributing editor

In ZweigWhite's 2012-2013 "Operating Expense Survey," Christine Brack, principal, ZweigWhite Strategic Advisory Services, reminds firm leaders of an important point that is easily forgotten when wallets get thin: "Any money spent on operating expenses is an investment in your firm."

Though some investments are certainly better than others, the old adage, "It takes money to make money," still rings true.

"We all know it costs money to run a firm. It costs money to pay employees, to provide healthcare, to maintain technology, to produce marketing brochures, and it costs money to simply keep the lights on. Over the last year and a half, the industry clamored to find creative ways to reduce general operating and overhead expenses and maintain some dignity while functioning on Ramen-noodle budgets," Brack wrote.

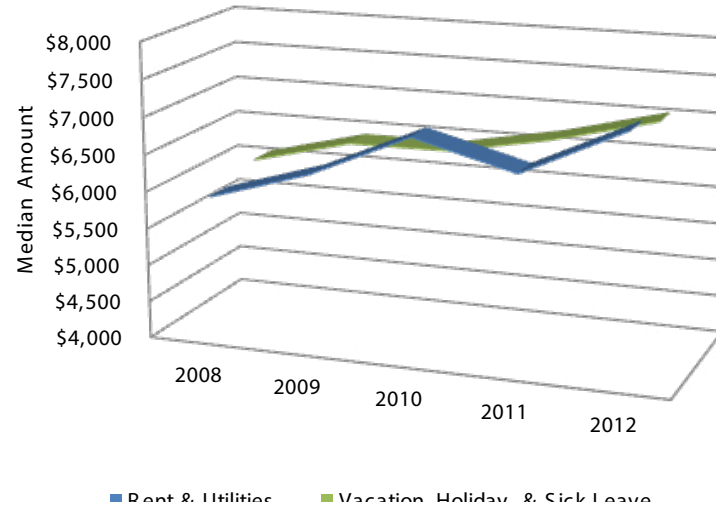
Brack warns that firms should avoid the temptation to cut all expenses that aren't absolutely necessary for the firm's survival. "While this may keep some extra money in the till for the short haul, leaders should be thinking about how to preserve cash on the larger levels. Cutting costs will have an impact on the recipients – the marketing associate who can't develop a new postcard, the employees who have to contribute more to their health plan, and the designers who cannot work with the newest software."

**RISING TIME OFF COSTS.** During the winter months, it is harder than ever to keep costs in control. Productivity often suffers when winter weather causes delays, or employees get sick. Then, there's the holidays. Although holidays and rest can prove to be morale and creativity boosters, these factors combined with increased expenses such as end-of-year bonuses often leave firm's struggling for cash at the start of a new year.

In the most recent "Operating Expenses Survey," vacation, holiday, and sick leave costs, or the portion of total labor costs a firm spends for employees' paid time off, though considered fringe benefits for employees, were expenses that have increased over the past five years, despite the recession.

For 2012, the survey found that vacation, holiday, and sick leave costs are a median of 9.9 percent of total labor, an almost one percent increase over the previous year, though only a 0.3 percent increase over 2008's figures. In 2012, these expenses were a median of 6.2 percent of total costs for the firm, a one percent decrease over the previous year's high of 7.2 percent, though still an increase over the 2009 and 2010 figures of 5.9 percent.

## COSTS PER EMPLOYEE



Source: 2012-2013 Operating Expenses Survey, ZweigWhite.

"Over the last year and a half, the industry clamored to find creative ways to reduce general operating and overhead expenses and maintain some dignity while functioning on Ramen-noodle budgets."

These costs were reported to be a median of 5.6 percent of net service revenue in 2012 and a median of 4.5 percent of gross revenue figures, which have varied during the past four years. In raw numbers, the amount firms spend per employee for vacation, holiday, and sick leave costs (\$7,044) was shown to have reached a five-year high.

**RISING RENT AND UTILITIES.** Rent and utility costs, though occasionally experiencing small declines, were also expenses that have continued to rise.

According to the National Association of Realtors' latest "Commercial Real Estate Outlook," released in November, these expenses probably won't be seeing a decrease any time soon. Vacancy rates in the office sector are projected to fall from an estimated 16.7 percent in the fourth quarter of 2012 to 15.7 percent in the fourth quarter of 2013.

Along with declining vacancy rates, indicating increasing demand, the report states that office rents are expected to increase 2 percent for 2012 and 2.5 percent in 2013. Net absorption of office space in the U.S., which includes the leasing of new space coming on the market as well as space in existing properties, is likely to total 21.7 million square feet in 2012 and 49.0 million this New Year.

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# Leveraging the balance sheet



Mark  
Welch

GUEST SPEAKER

How the numbers are booked can be complicated and paint varying pictures of financial health.

The overriding objective of all professional services organizations is to achieve profitability that is sustainable over a long period of time and brings public and private rewards to stakeholders. Who are these stakeholders? First, they are obviously the owners whose self-interest is in financial success. It is the employees whose career aspirations are bundled within a healthy and ongoing practice – the longevity of which provides a platform upon which careers can be built. It may be investors who are asked to supply the financial fuel of growth while at the same time seeking a positive return on their investment. It may be the clients who not only want a beautiful project that is a testimony to their objectives but also one requiring a partner whom they can trust to be financially viable through the lifecycle of the effort. And lastly, it may be the profession, whose members look to individual firms as the carriers and practitioners of their global vision and mission.

The primary instrument that firms use to document their ongoing financial health is a profit and loss statement (P&L), also known as an income statement, most times published on a monthly basis. While the basics of a P&L statement are simple (revenue - costs = profit) how the numbers are booked can be complicated and paint varying pictures of financial health. As a way to bring clarity and fiscal rigidity to the P&L, your firm's balance sheet can be engaged more actively to support the consistency of the results. In financial accounting, a balance sheet or statement of financial position is a summary of the financial balances of a sole proprietorship, a business partnership, a corporation or other business organization, such as an LLC or an LLP. Assets, liabilities and ownership equity are listed as of a specific date, such as the end of the financial year. How then can the balance sheet be leveraged

to interact with the P&L statement, bringing monthly financials that present consistency and appropriateness to your practice? Below are a number of areas where this is so.

- **WIP and revenue recognition.** As work is performed on a project for a client, the costs associated with providing services (labor, expenses, subconsultant costs, etc.) are initially captured in a work in progress (WIP) account on the balance sheet. When revenue is recognized, an entry moves the calculated amount from WIP to the income statement. Accurate representation of revenue is tied to the objective percent of completion of the project effort and can prevent misrepresenting revenue and mitigate the potential of future write-downs of unbilled revenue amounts (see <https://docs.google.com/file/d/0BxGpo2dNixgoblJUYmdEbjNfUnM/edit> for a more detailed overview of subject). Having rigid revenue calculation methodologies can lead to heightened confidence in the P&L presentation.
- **Bad debt.** The first given of a professional services firm is that they will have clients who will not pay their bills. It's an expectation. The challenge is minimizing it – which comes from hard work and perseverance. Usually, the range of bad debt runs between 1 to 5 percent of billings – sometimes more, rarely less. Establishing a bad debt reserve on the balance sheet and accruing an amount as a percentage of revenue on the income statement can help avoid the painful impact of write-offs to a particular month's performance. In a sense you are recognizing a portion of future write-offs in the current month's to avoid big hits when the invoice(s) are expunged from your financials (written-off).
- **Legal.** Another given in providing services to clients is that someone will sue you at some point in time. Many times these legal suits have nothing to do with the quality of your work or of any negligence on your team's effort. The tentacles of legal entanglement are wide and deep and pull almost all organizations into their web. To avoid the payment of high legal bills from pulling down profit numbers during one particular month, one can set up a monthly accrual for anticipated legal costs in the future. This will allow a consistency to the numbers and alleviate the pain of a big monthly hit when the bill(s) is paid. An added benefit to this approach is if your firm is fortunate enough to avoid litigation, an entry can reverse the reserve of the balance sheet and sure up the profit line on the P&L statement.
- **Rent.** Many leasehold agreements contain tenant benefits such as free or reduced rent for a period of time that is given as an incentive to get you into the landlord's building. In addition, if there are times you utilize a broker to find you the best location and deal, they are entitled to a commission. Again, to avoid wide swings on the P&L resulting from these costs (normal

While the basics of a P&L statement are simple (revenue - costs = profit) how the numbers are booked can be complicated and paint varying pictures of financial health.

See MARK WELCH, page 8

# It's about momentum



Jeremy  
Clarke

SEARCH SAVVY

Employ these three tactics in your selection process and you're likely to begin seeing significant improvements in talent acquisition efforts.

**T**he American Heritage Dictionary defines momentum as, "The tendency of a moving object to continue moving along a particular path in a line." In other words, momentum is the constant incremental progression of a thing toward a specific end. What an important concept to foster in our business practices and strategies (as any MBA will tell you)! Unfortunately, we all too often forfeit momentum for analysis. As one professional golfer once said, "This game is all about momentum... and sometimes thinking too much can destroy it."

Boy... if there's a sphere in which that statement resonates especially, it must be in recruiting. In my 17-plus years of professional recruiting, I can tell you, quite confidently, that good solid talent is lost most commonly – not because the opportunity wasn't competitive, not because compensation wasn't competitive, not because of benefits, or location, or bad perks. Good talent is lost primarily because many firms simply do not endeavor to consistently, progressively move the candidate along a particular path of selection. There's no momentum. So, ultimately the candidate falls away and loses his or her appetite because "the plate has gotten cold," so to speak. How tragic. But this kind of attrition can be quickly avoided if firms will recognize three major problem areas in their selection process and begin taking steps to rectify them.

Good talent is lost primarily because many firms simply do not endeavor to consistently, progressively move the candidate along a particular path of selection. There's no momentum.

**1) No one person is driving the bus.** In other words, no one person is leading the recruitment and selection effort. There are simply too many cooks in the kitchen. No one person is accountable to a timely and effective hire, and as a result the recruitment effort gets assigned a marginal priority, with no one really contributing diligently. Or conversely, everybody wants a say in the way candidates are ushered through selection. In either case, you end up with a stalled, stagnate, cold search that begins hot but soon fades into a cold distraction at best.

**My recommendation:** Assign one person as the project lead over the search and create time-to-fill expectations that compel the project leader to diligently encourage consistent momentum along a specific "process map."

**2) No one has a map.** That is to say, no one has designed a specific protocol by which candidates are introduced to, and ushered through, a selection process. A candidate may conduct a very good initial telephone interview with a principal, for example. But the principal is forced to close the discussion with the candidate with no earthly idea as to what the next-steps are because he has no concept of how that candidate will progress through the selection process. I wish I had a dime for every time I've circled back with a candidate to ask how a telephone interview went and received back a report that went something like this: "I thought it went very well mutually... but no one could tell me what next steps were, nor when they would begin happening." Inevitably a week goes by, then two weeks, then three, and out of nowhere the firm is reminded again that they desperately need this engineer they spoke to almost a month ago, but unfortunately he or she has left the table for another table because the plate got cold. Where there is no map, there is no momentum because there is only confusion.

**My recommendation:** Once deciding on a project leader, create a process map and be sure that map is communicated to every stakeholder in the selection process. A generic protocol might look this: 1) phone interview; 2) on-site interview; 3) consensus/decision; 4) verbal offer; 5) formal written offer and start date. Further, at every point in the process, commit to timelines. As an example, every short-list candidate will be interviewed by phone by a stakeholder within 72 hours after being introduced into the selection process. Also, and on-site interview will be coordinated within three weeks of the initial telephone interview. Further, a decision for or against a candidate will be made within one week of the on-site interview, etc. You see?

**3) Don't over-analyze the route:** In other words, there's simply too much scrutiny and chit-chat rather

See JEREMY CLARKE, page 8

JEREMY CLARKE, from page 7

than aggressive recruitment. Now don't get me wrong. I'm not suggesting that there shouldn't be prudence and scrutiny applied to selection, but if you feel pretty confidently about a candidate and haven't put an offer in front of him or her within two weeks after their interview, your chances of winning that candidate decrease significantly. Again, I'm not against thoughtful decision making, but let's be frank, the divorce rate in our country, sadly, is better than 50 percent between individuals who, I trust, have spent a far lengthier and more scrupulous period courting one another than your firm will spend courting your next project manager. If a marital union is so easily severed, then we should probably assume that we're

not going to insulate ourselves from the contingencies associated with a lesser union.

**My recommendation:** Determine to identify and select a candidate within 90- to 120 days, and be sure to communicate timelines to candidates.

**To summarize:** 1) get one person to drive the bus; 2) make sure there's a map, and that everyone on board is familiar with it; and, 3) don't over analyze the route... or the final destination. Employ these three tactics in your selection process and you're likely to begin seeing significant improvements in talent acquisition efforts. ▀▀

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EXPENSES, from page 5

Regionally, according to the outlook, the markets with the lowest office vacancy rates in the fourth quarter of 2012 are Washington, D.C., with a vacancy rate of 9.6 percent, New York City, at 10.1 percent, and New Orleans, at 12.9 percent.

According to ZweigWhite's latest "Operating Expenses Survey," A/E/P and environmental firms' rent and utility costs are a median of 10.2 percent of total labor, up

from 8.6 percent in 2008.

The survey also found that firms' rent and utility costs as a percentage of total costs, at 6.7 percent, increased this year, as did rent and utility costs as a percentage of net service revenue (a median of 5.9 percent) and these costs as a percentage of gross revenue (a median of 4.2 percent).

Firms' rent and utility costs per employee increased to \$7,234, a big jump from five years ago. ▀▀

MARK WELCH, from page 6

and predictable), using the balance sheet in the form of an accrual is a wise practice. The monthly accrual amount can be calculated by taking all of the anticipated costs associated with the deal and dividing by the number of months in the lease agreement. This gives you a predictable cost, allowing for better forecasting for the outgoing months.

**Employee benefits.** Chances are you offer benefit programs to your employees that require periodic funding to the administrators of these accounts. Again, to avoid having your P&L impacted noticeably in the months you make these payments, it is practical to utilize the balance sheet by calculating the

annual costs of these benefit plans and making a monthly accrual amount – normalizing the impact over the fiscal year term.

**There are other costs where leveraging the balance sheet via accruals can be appropriate (taxes, prepaid expenses, bonuses, etc.). Firms with strong financial positions all utilize the balance sheet in coordination with the income statement to convey fiscal prudence and professionalism that all of the stakeholders of your organization can take comfort in.** ▀▀

MARK WELCH is the owner of Mark Welch International, a business strategy consulting practice focusing on the AEC industry. Contact him at [mark@mtwintl.com](mailto:mark@mtwintl.com).

CALENDAR

**WOMEN IN DESIGN CONFERENCE:** In the near future, women are projected to account for 51 percent of total labor force growth, says the U.S. Department of Labor, Women's Bureau.

Yet, women make up less than one-quarter of the architecture workforce, 9.7 percent of the civil engineering profession, and roughly 13 percent of other engineering professions.

ZweigWhite will present a conference May 9-10, 2013 in Boston focusing on issues that relate to women in the male-dominated design and environmental professions.

The program is now being organized by Claire Keerl, principal and director of corporate marketing and Christine Brack, principal and director of consulting, both with ZweigWhite. The multi-day event will include roundtable discussions, focus groups, networking sessions, as well as keynote presentations by industry leaders.

Issues that will be covered include:

- Work/life balance
- Women as bosses
- Mentoring women in design, engineering, and environmental consulting
- Encouraging women to enter the profession
- Physical presence (how this impacts coworkers and clients)
- Career paths for women
- Women and the path to principal
- The age factor
- Alternative careers for women in design and environmental professions
- WBE status

For more information about this upcoming conference email Claire Keerl [ckeerl@zweigwhite.com](mailto:ckeerl@zweigwhite.com) or log on to [www.zweigwhite.com/conference/women-in-design-and-environmental-professions](http://www.zweigwhite.com/conference/women-in-design-and-environmental-professions).

**PRINCIPALS ACADEMY DATES ANNOUNCED:** The Principals Academy, a crash course in all aspects of managing a professional services firm, has new dates scheduled into 2013.

Upcoming dates include March 7-8 in Las Vegas, June 13-14 in Chicago, Sept. 19-20 in Boston, and Nov. 14-15 in San Francisco.

The program is presented by a team of speakers – including ZweigWhite founder and CEO Mark Zweig – with extensive experience working with and for A/E firms. They have a clear understanding of what it takes to survive, and even thrive, in any economy.

The two-day agenda covers six critical areas of business management from the unique perspectives of architecture, engineering and environmental consulting firms, and is presented in tutorial and case study workshop sessions.

For more information or to register, call 800-466-6275 or log on to [www.zweigwhite.com/seminars/tpa](http://www.zweigwhite.com/seminars/tpa).



## OUTLOOK

# Hiring, processes and systems outlook

Firms are not expecting major changes and 2013 is likely to be a transition year.

By LIISA SULLIVAN  
Correspondent

**W**ith 2013 here, what are firms doing differently and what are they carrying over from 2012? Are firms hiring? Investing in IT? What about healthcare?

**HIRING STAYS STEADY.** At **Watermark** (Lowell, MA), an engineering firm that focuses on environmental, infrastructure and building facilities, Staci Landress, HR director, says they plan to make some new hires as the company continues to grow the business. Some of the types of positions Watermark may be looking to fill are project managers, engineers, and geologists – to name a few.

“In 2013, we will probably not hire as many people as we did in 2012,” Landress says. “We hired approximately 25 people in 2012 and plan to hire about 10 employees in the upcoming year. However, we are always looking for additional quality talent to add to the Watermark team.”

Mike Bojanski, VP of human resources at **FINLEY Engineering** (Lamar, MO), a firm that specializes in complete engineering services in the fields of telecommunications and electric power transmission and distribution, project management, cable television, and right-of-way services, says that 2013 will bring about the same hiring practices as 2012.

“Our work flow ebbs and flows with the season as a lot of our work happens in the northern part of the nation and winter tends to slow down for us,” he says. “In the spring, hiring picks up again and we will likely hire seasonal inspectors and resident engineers. We will also hire two recent engineering graduates in the spring.”

Bojanski says that since Finley is a fairly small niche company of about 200 employees, prospective employees find this environment attractive.

“Engineers are only two levels below the president so they have an opportunity to quickly make an impact in the company,” he says.

Preshita Wittenburg, director of HR at **TEAM Integrated Engineering, Inc.** (San Antonio, TX), a firm that has grown from 30 to more than 130 employees, says they also plan to recruit and to support Department of Defense clients.

“Employment for experienced environmental scientists, engineers, and biomedical equipment engineering, will also continue to be in high demand,” Wittenburg says. “We see projected growth (20 to 30 percent) in these fields as more funding becomes available, construction budgets open up, and a greater demand for healthcare services drives growth.”

TEAM Integrated is also diversifying and promoting its professional services in the commercial market.

**HEALTHCARE UPDATES.** As far as healthcare goes, Landress of Watermark says that the company’s healthcare renewal is not until April, so it is too early to tell at this point if there will be any changes.

Bojanski says that he expects no major changes to FINLEY’s healthcare plan in 2013.

“Our premiums only increased by one percent. That’s mostly due to the implementation of a wellness strategy. So, we will likely continue to build on that wellness program to keep health-

care costs down,” he says.

FINLEY Engineering will also spend time in 2013 reviewing the changes that the Affordable Care Act will bring in 2014.

“We will need to evaluate whether we will continue to offer healthcare,” he says. “For example, we may offer money instead so employees can go to exchanges. It’s up in the air at this point. 2013 will be a learning year.”

TEAM Integrated will not change its healthcare policy for 2013.

“We will continue to sponsor the medical insurance as we have done in previous years,” Wittenburg says.

**IT INVESTMENTS.** Watermark plans to update its server to a cloud network that will assist in the day-to-day operations of the company.

FINLEY Engineering is planning to implement a client resource management system (a component compatible with Vision) to be more effective in business development and client management.

“We were fortunate to ride the stimulus wave in 2010 and 2011, but the ride is winding down now so 2013 is the year we will refocus on serious new business development,” Bojanski says. “For the past two years, we have just been keeping up with workload.”

In order to support any changes or growth, TEAM Integrated plans to re-evaluate its current processes and to make sure that it makes adjustments to strengthen its capabilities.

“We will continue to automate and integrate HR systems to identify, hire, develop and retain our employees,” Wittenburg says. ▀▲

“We will need to evaluate whether we will continue to offer healthcare. For example, we may offer money instead so employees can go to exchanges. It’s up in the air at this point. 2013 will be a learning year.”

## ON THE MOVE

**MOFFATT & NICHOL HIRES CFO:** **Moffatt & Nichol** (Long Beach, CA), a global infrastructure advisor, announced that **Curtis Jang** has joined the firm as CFO. Jang has over 20 years of experience in financial management with engineering and construction firms specifically in the areas of finance, strategic planning, risk management/surety, information technology, and human resources.

In his role as CFO, Jang will oversee the day-to-day responsibilities of planning, implementing, managing and controlling all financial-related activities of the company. This will include direct responsibility for accounting, finance, risk management, and information technology.

Prior to joining Moffatt & Nichol, Jang served as CFO for **SCS Engineers** (Long Beach, CA), an environmental engineering and construction firm with 750 employees generating over \$160 million in domestic and international revenues. In this capacity, he managed several teams of personnel and was responsible for the development and execution of the firm's mergers and acquisitions strategic initiative.

Before joining SCS, Jang worked for **AECOM** (Los Angeles, CA), a professional engineering services firm, where as a vice president he had responsibility for the finance and accounting functions of their West Coast region.

**LJA HIRES: LJA Engineering, Inc.** (Houston, TX), a 250-person civil engineering firm, announced that **Steve Gonzales** has joined the company as division manager of the San Antonio office.

Gonzales has 20 years of engineering experience providing comprehensive designs and analysis for capital improvement projects, drainage studies, storm water analysis and engineering planning. He has performed hydrologic/hydraulic analysis for public works clients such as the City of San Antonio, Bexar County, Harris County Flood Control District, the City of Houston, and other state and federal agencies including TxDOT, the Texas Water Development Board, the Federal Emergency Management Agency, and the U.S. Army Corps of Engineers Fort Worth District.

As San Antonio division manager, Gonzales will focus on developing and enhancing LJA's San Antonio presence in both the municipal and private markets. A San Antonio native, Gonzales is intimately familiar with the area's agencies and municipalities. Gonzales's background as a former manager at the San Antonio River Authority will contribute to strengthening LJA's hydrology and hydraulics practices in South and Central Texas.

**HART CROWSER HIRES:** Three new staff members have joined **Hart Crowser** (Seattle, WA), an environmental and engineering consulting firm.

**Mike Wert** has joined the Edmonds, Wash. office. Wert is a senior fisheries biologist who manages complex water, energy, and transportation infrastructure projects and commercial developments throughout the Pacific Northwest. His key projects have included the Tacoma Narrows Bridge NEPA Environmental Impact Statement; salmon recovery support for King, Pierce, and Snohomish Counties; and the Landsburg Fish Passage Facilities project, which eliminated fish migration barriers in 17 miles of the Cedar River watershed, one of Seattle's most important drinking water sources. At Hart Crowser, Wert will continue to support fisheries and water-related infrastructure projects.

**Brenton Cook** has joined the Seattle office. He is a geotechnical engineer. Cook has worked on projects for The Boeing Company, Union Pacific Railroad, Puget Sound Energy, and WSDOT. He will support commercial development, waterfront, and transportation/infrastructure projects.

**Nick Galvin** has joined the Seattle office. He is an environmental

scientist. Galvin was an environmental remediation intern with The Boeing Company, and has been active in the local chapters of the Air & Waste Management Association, the Society of Environmental Toxicology and Chemistry, and the Sustainable Remediation Forum. He will support environmental remediation projects.

**IA HIRES: IA Interior Architects** (Los Angeles, CA), an interior architecture and workplace strategies firm, announced that Arnold Levin has joined the firm as managing director, workplace strategies. In this newly created position, Levin will be responsible for further developing IA's integrated approach to delivering workplace strategies, design, and change management solutions. He will support IA's offices globally.

Levin has combined a career of research, teaching, consulting, and design practice across a variety of market sectors. Levin works with clients to assess organizational design as the framework for developing workplace design strategies as value propositions. Most recently principal and workplace strategy director with NBBJ, Levin has also held leadership roles at **Gensler, Mancini Duffy, and Swanke, Hayden, Connell**.

"IA provides the perfect platform to merge workplace strategy, design, and change management services into a seamless offering to current and future clients. As someone who has sought to blend these components, and who has worked to create a better model of delivering client and business focused design, and IA being strategically and tactically positioned to enable this venue, IA is a perfect fit for me. I am truly excited to be part of IA and help shape this vision," Levin said.

"We are thrilled that Arnold will lead the workplace strategies team firm-wide. We conducted an extensive search for someone with global experience, believes passionately in our integrated approach, and can work with our clients as they wrestle with the changing nature of work and the workplace on a global, regional, and local scale. His belief in the value of informed design to support businesses and transform organizations is paramount," said David Bourke, managing principal.

**PS&S HAS NEW PRESIDENT: John Sartor**, a 20-year veteran in the architecture and engineering industry and who has been instrumental in major environmental and development projects in the tri-State area, has been named president of **Paulus, Sokolowski and Sartor** (Warren, N.J.), the design and permitting services firm announced.

Among Sartor's most significant projects are the redevelopment of Hoboken's South Waterfront, now home to Wiley and Sons and the W Hotel, and the development of Atlantic City's Borgata Hotel and Casino. In both of these large-scale mixed use brownfield redevelopment projects, Sartor used his experience in environmental, civil and geotechnical engineering with his construction management training to create outstanding successful properties.

"John's passion to help clients and our team at PS&S deliver environmentally sound and extremely successful projects has been a hallmark of his career," said Anthony Sartor, PS&S chairman and chief executive officer. "He has developed into a tremendous leader for our organization and we have every confidence that he will continue as he helps guide our company's future."

Sartor was instrumental in developing PS&S's Renewable Energy Group, which is assisting clients in the development of solar, wind, alternative fuels and geothermal projects in New York, New Jersey and Connecticut. A member of Governor Christie's New Jersey Department of Environmental Protection Transition Team, Sartor has also been the guiding influence of PS&S's Sustainable Development Group, assisting clients with green, sustainable solutions to reduce energy loads and water consumption.

## OUTLOOK

# 2013 tax and regulation outlook

With many regulations to keep abreast of, two tax pros detail changes in 2013.

By LIISA SULLIVAN  
Correspondent

As unavoidable as taxes are, knowledge about the tax code is always the best strategy and defense against unexpected costs or worse – visits from Uncle Sam. So, ZweigWhite asked two tax pros to weigh in on the major changes in 2013. Both agreed it was a bit too soon to tell on some fronts, but other horizons were clear.

**TAX LAW CHANGE REVIEW.** Paul Gergel, partner, WithumSmith+Brown, PC says that he was hopeful that by this time, taxes for 2013 would have a bit more clarity, but that's not the case.

So, how should business owners and CFOs plan for the unprecedented \$500 billion in tax increases that hit on Jan. 1?

"For most successful A/E firm owners, our planning strategy is running counter to the tried and true tax-deferral strategies used in the past," he says. "2012 marks the end of the low-tax environment of the Bush era. Therefore, for sole proprietors and pass-through operations (partnerships and S corps) following the cash basis of accounting for income taxes, we have been advising them to accelerate income into 2012 and defer payment of expenses into 2013."

Below, Gergel highlights some of the federal tax law changes that may affect you and your business.

**INCOME TAX RATES.** If Congress does nothing, 2013 ordinary tax rates on individual, partner and S corporation owners' income will be higher. Personal income tax rates will rise to a maximum federal rate of 39.6 percent. Even if the automatic rate increases are avoided for all taxpayers, Presi-



Paul Gergel,  
Partner,  
WithumSmith  
+Brown, PC.

dent Obama has been pushing hard for tax hikes on those making \$200,000 (\$225,000 for heads of household, \$250,000 for married filing jointly).

Another consideration this year is the Medicare tax increase. Beginning in 2013, taxpayers with earned income of more than \$200,000 must pay an extra 0.9 percent in Medicare taxes on the excess earnings.

Traditional income and deduction-timing strategies depend on what your marginal tax rate (the rate you pay on your next dollar of ordinary income) is this year and what it will be next year. If your marginal rate will go up next year, you'll likely be better off accelerating income into 2012 and deferring deductible expenses to 2013 (when deductions will be more valuable).

"I am preparing my clients who are currently in the highest tax brackets already (35 percent) and expecting their income to remain status quo or grow larger, that their new marginal tax rate on their earned income could be 40.5 percent," Gergel says.

So, what can sole proprietors and pass-through operations do to accelerate income and defer expenses this year? Some may be able to accelerate billing and receivables collection. Bonuses to employees, if on a cash basis, could be deferred to 2013. If on the accrual basis, the business may choose to pay the bonus more than 2.5 months after its fiscal year end, which would delay the deduction until 2013.

Finally, the tax code only allows a business bad debt if it is specifically written off the books. Instead, businesses may choose to reserve for the loss in their allowance for doubtful accounts at year end, which would also delay the tax de-

duction to a future year.

**APPEAL OF DIVIDENDS MAY CHANGE FOR SOME.** Since 2003, investments that have produced "qualified" dividends have been taxed at long-term gain rates (i.e., maximum 15 percent). A/E firms formed as C corporations have benefited from this provision by returning profits to their owners in the form of a dividend, which often times was taxed as much as 20 percentage points lower than the tax on profits returned to owners in the form of a bonus. In addition, dividends are not subject to employment taxes. But the appeal of dividends in 2013 might change because qualified dividends are set to be taxed at ordinary income rates.

Furthermore, there is a new 3.8 percent Medicare tax on investment income that would also apply to dividends to the extent that the owner's modified gross income exceeds the \$200,000 level. Thus, some dividends could ultimately be taxed at a combined 43.4 percent rate. To date, hundreds of companies across the country have decided to pay special dividends before the end of 2012 to avoid the tax increases associated with the fiscal cliff. Cash poor corporations can also consider making a cashless deemed dividend under Sec. 1368(e) (3).

**PAYROLL TAX CUT.** Earlier this year, Congress extended the payroll tax cut on employees' wages. This provision gave workers a 2 percent reduction in the social security tax withheld from their paychecks. This tax break affects nearly every worker in a company, saving each up to \$2,200, depending on their salary. Renewing this would cost about \$125 billion; many predict it will not be renewed.

### BUSINESS TAX PROVISIONS

**Depreciation Changes.** "Bonus" depreciation for qualified property has been around for several years.

See TAX, page 12

## TRANSACTIONS

**HASKELL ACQUIRES: H.R. Gray** (Columbus, OH), a program management and construction management services firm, was recently acquired by **Haskell** (Jacksonville, FL), a design-build firm. The acquisition will increase levels of expertise at Haskell, which works with some of America's leading Fortune 500 companies to develop highly efficient and cost-effective facilities.

The addition of H.R. Gray will allow Haskell to provide a unique skill set to municipal clients. "This acquisition is part of a larger strategy to expand our water business," said Pete Kinsley, vice president of Haskell's water division. "Like many parts of the country, Ohio faces significant water challenges and recently enacted design-build and construction management at-risk (CMAR) enabling legislation to provide community leaders with project delivery alternatives to consider as they develop solutions for these challenges. We are confident that the combination of Haskell's expertise in design-build and CMAR and H.R. Gray's proficiency in program management will enhance our ability to meet customer needs in that market segment, both in Ohio and other parts of the country."

H.R. Gray will continue its current operations in Columbus and its regional offices and maintain its existing brand. Under the terms of the acquisition, the H.R. Gray leadership team will become part of the Haskell leadership team and Jim Joyce will continue to serve as President of H.R. Gray, a wholly owned subsidiary of Haskell. For more than 30 years, H.R. Gray has provided construction management and consulting services to the construction industry by offering responsive, cost-effective, high quality construction and program management services for complex projects as well as resolution of construction disputes for public agencies. Under the acquisition, H.R. Gray employees will join Haskell's diverse team of architects, engineers and construction experts. The acquisition will also expand Haskell's geographic presence by adding the H.R. Gray offices to its list of corporate locations, which currently include its headquarters in Jacksonville and offices in Atlanta, Dallas and Mexico City.

**TT BUYS: Thornton Tomasetti** (New York, NY), the international engineering firm, announces the acquisition of **Simon & Associates, Inc.** (San Francisco, CA), a sustainability consulting firm.

Simon & Associates' team will become part of Thornton Tomasetti's Building Sustainability practice. S&A founder, Lynn Simon, becomes a senior vice president at Thornton Tomasetti and will lead the West Coast efforts of the practice. She will collaborate with the firm's leadership in California and Principal Gunnar Hubbard, who leads the Building Sustainability practice.

S&A was established in 1994 by Simon and is recognized as a leader in the sustainability field, providing Thornton Tomasetti with a greater presence on the West Coast, strengthens our existing sustainability services and adds capabilities that include LEED for Neighborhood Development consulting. LEED-ND focuses on large-scale, mostly mixed-use projects that incorporate smart growth, urbanism and green building.

The firm's client base is a diverse mix of nonprofit organizations, government agencies, developers, architects and contractors. The breadth and depth of S&A's project experience and long history in the green building industry gives its team an unparalleled understanding of the nuances of sustainable design and construction. It has 61 LEED-certified projects to its credit, 50 of which have achieved LEED Gold or LEED Platinum certification.

Simon has more than 20 years of experience in the green building industry and is both a Fellow of the American Institute of Architects and a LEED Fellow. In 2005, she was named one of the 25 Environmental Champions by EnvironDesign Journal and last year she was recognized by the U.S. Green Building Council with its President's Award.

"Having a highly respected firm such as Simon & Associates join us significantly strengthens our leadership in the sustainability field," said Gunnar Hubbard, principal, Thornton Tomasetti.

## TAX, from page 11

It was reduced from 100 percent to only 50 percent for tax year 2012. This provision has expired and will not be available in 2013 unless renewed by Congress.

Similarly, the immediate expensing of capital purchases has also been reduced from \$500,000 in 2010 to \$139,000 in 2012. Beginning in 2013, the limit for the immediate expensing under Sec. 179 will be reduced to \$25,000. Write-offs for real property have also been curtailed; the period to amortize qualified leasehold improvement property has been increased from 15 years to 39 years, and immediate expensing of qualified real property is no longer allowed.

- **Estate and gift tax changes.** Sole proprietors and closely held business owners with their adult children working in the business may want to take advantage of a valuable transfer tax planning opportunity, which is set to expire at the end of 2012. If Congress doesn't act, the estate and gift tax

exemption will decrease to \$1 million.

- **Reporting change.** "Obamacare" now requires employers filing more than 250 Form W-2s to report the cost of employer-sponsored coverage on each employee's W-2. Employers will need to familiarize themselves with the types of healthcare coverage that must be included in the amount to be reported on the forms. But in general, they should include both the portion paid by the employer and employee though there can be many other items to consider in calculating this number.

**RESEARCH AND DEVELOPMENT.** Michael Koppel of Gray, Gray & Gray, LLP says that many A/E firms take advantage of the research and development credit. This credit expired at the end of 2011. It is unclear if it will be reinstated retroactively.

Koppel says firms should also be aware of the following:

- The amount of insurance that will be provided to business operating accounts by the FDIC may be reduced to

\$250,000 beginning in 2013. Firms should contact their banks to determine if the bank has insurance in addition the FDIC.

- As with all high-income individuals, it's important to remember that the capital gain rate, for non business gains, could be increasing to 23.8 percent.
- While the effective date of the "repair regulation" issued in 2011 has been delayed until 2014, parts of the regulation may be advantageous.
- While firms are not required to provide health insurance to full-time employees in certain situations until 2014, many firms will find it advantageous to use the "look back" method to identify who is considered a full-time employee. This would require more record keeping in 2013. (Firms with more than 50 full-time equivalent employees are required to consider this situation.)
- The IRS has indicated that they will continue to look aggressively at whether a worker should be considered an employee or independent contractor.