Maryland’s Construction Management Pipeline Deficit

Addressing Maryland’s Construction Management Talent Shortage

If you are Maryland business owner and you’ve recently hired a professional with a four-year, construction-related degree, chances are it was not an easy process. Along with the skilled trades shortages affecting our industry, Maryland is not producing enough homegrown Construction Management professionals and Engineers to meet the demand of business. While many Maryland companies continue to recruit outside the state to attract entry level talent, the Maryland Center for Construction Education and Innovation, (MCCEI) is creating a plan to fuel a homegrown talent pipeline.

MCCEI is an industry-led workforce intermediary that was established to create a world-class education system for Maryland’s built environment. Taking cues directly from Maryland’s business leaders, MCCEI works to strengthen the workforce pipeline by aligning the industry’s workforce needs with the education system. In December 2012, MCCEI released The Critical Path report, a summation of the data and opinions MCCEI gathered from interviews with 126 of Maryland’s construction executives. The results of The Critical Path provided MCCEI with a comprehensive understanding of the workforce issues Maryland’s industry is facing and addressing the Construction Management deficit became a clear priority.

Maryland is fortunate to have two institutions that have bachelor degree programs in Construction Management: University of Maryland Eastern Shore at Princess Anne, satellite campus at the Universities at Shady Grove, and a newly launched program at Morgan State University. However, these two programs are relatively unknown to the business community. According to the data from The Critical Path, 36% of the survey participants were unaware that Maryland has existing four-year Construction Management programs. Further, 65% of

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**Product Profile**

When you’re out of power—
you’re out of business

Loss of power is critical—That’s why more facilities with emergency power systems are adding Curtis on Call to continually monitor this important function.

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**Challenge**

Aging infrastructure has resulted in an increasingly more vulnerable utility power grid, prompting many facilities to add emergency power systems to support their critical needs. Medical facilities, data centers, financial institutions, municipal services, warehouse operations, retailers, schools and universities have all realized this need.

But an emergency power system is only valuable if it works during an emergency. Keeping that system maintained and knowing the status of key functions is crucial to facilities management.

**Solution**

Curtis on Call continually monitors system performance providing up-to-the-minute reports on even your most critical equipment. The monitoring equipment is both hardware and wireless capable with access to site/equipment from anywhere. Continuous around-the-clock diagnostics with immediate notification of alarms are provided, date and time stamped. Daily status updates and active mapping shows location and current status of all sites on one map. Automatic alerts are activated when service maintenance is due and logs track all work and repairs performed on the equipment.

Brian Ainsworth of Loudoun County, VA Department of General Services has installed 44 units and is installing two more units on the generators throughout the county. “The alerts that are sent directly to my cell phone allow me to be proactive with my system. After an outage, I’m able to view the fuel levels in all my units and prepare them for the next emergency” said Brian. The system allows him to monitor key parameters all his generators no matter the location—office building, service center or remote station.

**Benefits**

Curtis on Call is Web-based and can be configured and modified on-line. Alarms/events are sent via email or text message to your cell phone, smart phone or computer. There is no need for dedicated computers, software or expensive SCADA systems. The system has provisions for GPS Mapping, GEO Fencing and MODBUS communication. Most importantly, the system will retrofit with generally all makes and models of generators.

For more information call 1-800-573-9200 or refer to our website www.CurtisEngine.com

David Speargas, Contract Sales Manager, Curtis Engine, can be reached at dspeargas@curtisengine.com

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It seems that there are several trends swirling about the building industry that seem to be aligning these days, and they are all about knocking down barriers.

First, we are seeing more and more design, development and construction firms diversifying. As folks are emerging out of the last few years downturn, we all seem to have learned that we cannot rely too heavily on any one sector to always carry our firms – diversity in project types can insulate from downturns in any particular sector. Let’s hope that we all remember this as the economy continues to heat up and it becomes easier and easier to focus on a specific market segment.

Projects are often more urban and more mixed use – dedicated, single use environments are becoming less common. From a sustainability standpoint this makes complete sense as a diversity of uses can provide for greater utilization of spaces over a longer course of the day. Spaces or amenities that aren’t in use and laying idle are costing money and/or denying access to groups who would benefit from accessing or making use of the amenity. Spaces that can accommodate multiple uses are also inherently more flexible and will have the capacity to adapt and change as future demands for real estate evolve and change.

Finally, there has been an extraordinary growth in collaboration and establishing integrated teams. Design teams are more open, iterative and collaborative and less linear, siloed and isolated. Overall project teams are also becoming more and more interactive and consultative. Rather than the traditional linear process of Design/Bid/Build with the Owner issuing a Program before engaging the design team and the contractor not brought on board until after all drawings are complete, we are seeing the entire team collaborating from the very beginning and drawing upon the broader team’s collective experience and wisdom to develop design and construction solutions that are greater than any one particular person’s vision and experience.

All of these trends point towards a more open, flexible and collaborative development process that will hopefully lead to a more flexible and adaptable built environment that will more easily meet the evolving needs of future patrons of our buildings.

Tom Liebel, FAIA, LEED Fellow, NCARB
Marks, Thomas Architects
www.marks-thomas.com

As one of the first 25 LEED Accredited Professionals in the country, Tom has been involved in integrating sustainable design principles into a variety of ground-breaking adaptive use and historic preservation projects over the past twenty years. Tom has consulted on green projects nationally and internationally and his authored works have been widely published. Tom currently serves as chair of the Maryland Green Building Council and chair of Baltimore City’s Commission on Historical and Architectural Preservation (CHAP).
Bonding Outlook: A Familiar Scene in 2014

There it is before you, construction company owners: a new year. With all of those months ahead, now is a great time to assess your bonding capacity and get a good read on the surety market ahead.

If you’re expecting surprises, stop right there. Generally, when it comes to bonding, contractors should anticipate a pretty familiar scene in 2014.

More of the same

As you know, bonding assures owners that you’ll complete projects as well as compensate first-tier subcontractors, workers and suppliers. Weak bonding capacity severely limits the size and number of jobs you can accept.

Recently, the bonding scene hasn’t been quite as bleak as it was following the 2008 recession. Sureties have, by and large, been willing to see the positives in the construction industry along with the negatives. This likely won’t change.

Over the past year, residential spending has generally risen and unemployment rates have moderated for the better. So the five major sureties who handle about half of the market share will probably stick to the processes and underwriting standards you’ve been experiencing recently, with smaller bonding providers likely falling in line behind them.

As always, though, startup construction companies could have a tougher time. Newly independent contractors may rely on previous experience to establish an equity position. Unfortunately, a history of bringing in profitable contracts for another company doesn’t translate into accumulated earnings for the new business. And underwriters look for equity on your balance sheet to verify that you have enough cash to cover loss jobs before they have to bail you out.

Capital concerns

To keep your construction company’s surety limits right where they are, or even potentially increase them, continue to work closely with your financial advisor as well as bonding and insurance agents. They can help you find ways to increase your working capital.

To maximize bonding capacity, your financial statements must show substantial working capital (current assets minus current liabilities). Ways to raise this critical amount include:

- Moving equipment held for resale up to current assets,
- Pushing your credit line’s maturity date back one year and a month, and
- Extending debt to longer terms (even if you pay it down earlier).

All of these methods can increase the starting point from which sureties will calculate your bonding capacity.

Yet your bottom line alone needn’t necessarily determine your bonding capacity. Substantial letters of credit, concrete personal guarantees and more expansive financial statements can also help qualify you. In addition, upgrading your compiled financial statements to a review, or from a review to an audit, can give an insurer the “warm fuzzy” it needs.

Relationships matter

A strong relationship with a surety can take years to build. If you’ve achieved that and believe you have a bonding provider that understands your construction company and is easy to communicate with, don’t be in a hurry to shop around.

On the other hand, if you’re getting mixed messages about underwriting standards or simply have a nagging suspicion you could get a better deal elsewhere, Continued on Page 12
Contact us today to see how we can work together to help your business gain the advantages necessary to prosper and grow in this competitive industry.

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Optimal Vehicle Replacement

For those of you in the construction industry, the cost to manage and maintain the vehicles used in your business represents a fairly large percentage of your overall operating expense. Many companies freely admit that they run the vehicles in their fleet “until the wheels fall off.” They may know, deep down, that this approach to vehicle replacement isn’t optimal, but they do it nonetheless. Frequently, this is because vehicle replacement decisions are determined largely by the amount of cash available for the purchase of replacement assets. Ironically, organizations that continually defer the replacement of their vehicle fleet in order to “save money” usually end up spending far more on their fleets than otherwise necessary.

The best and most efficient way to manage this expense is by adhering to the principle of Optimal Vehicle Replacement (OVR), where “optimal” means minimizing the total cost of vehicle ownership. And how is this accomplished? By understanding and managing the interrelationship between the life-cycle costs of a given type of vehicle. These life-cycle costs include the costs of acquisition, configuration of the vehicle, timing of maintenance and repairs, fuel expense and the ultimate sale of the asset. Thus, the key value of OVR is in determining the proper time to sell a vehicle to maximize returns and minimize life-cycle costs.

There are two types of costs associated with OVR, direct and indirect. The direct costs are depreciation, maintenance and fuel. Indirect costs include such costs as perk value, corporate image, downtime and feature upgrades.

Depreciation is the largest controllable expense. Vehicles depreciate quickly in the early portion of the life-cycle and more slowly as the vehicle ages. It is estimated that depreciation can cost as much as thirty cents per mile in the first 20,000 miles and fall to below 10 cents per mile as the vehicle moves over 60,000 miles.

The maintenance cost component acts inversely to depreciation, as the vehicle ages, the cost to maintain rises. Improved reliability and durability, coupled with longer manufacturer power-train warranties, have pushed out the point where maintenance cost rise precipitately. Depending on the vehicle, this point may be anywhere between 80,000 and 150,000 miles.

As long as a vehicle is properly maintained, the use of fuel should not vary dramatically as a vehicle ages. Thus, although considered a direct cost, fuel does not play a significant role in OVR. However, companies can effectively manage their fuel expense by concentrating on a number of factors including, timely maintenance, vehicle configuration (i.e. why use a ¾ ton if a ½ ton or mini-van will do?) and ongoing driver training.

Indirect costs factor into the OVR discussion in a number of ways.

- Perk Value – A shorter replacement life positively impacts perceived driver benefits.
- Downtime – Repairs of aging vehicles may cause significant downtime and/or rental costs.
- Feature Upgrades – Extending replacement life may delay the implementation of new and enhanced safety and convenience features.

Clearly, it is not financially prudent to operate extremely high-mileage vehicles because the maintenance costs push the cost-per-mile above what would be incurred with a new vehicle. Excluding indirect costs, the best time to dispose of a vehicle is just before a major breakdown. Of course, the challenge lies in pinpointing when that will occur. Having a structured vehicle fleet management program in place that takes into consideration the concept of OVR, will go a long way in meeting this challenge.

Brent Baron, CPA, CVLE is the President of Allstate Leasing, headquartered in Towson, Maryland. Brent has 25 years of experience in assisting corporate clients with their vehicle fleet management and asset finance needs. Brent may be reached at bbaron@allstateleasing.com or by telephone at 410.363.9526.
the industry felt that an expansion of four-year degree programs in Construction Management was warranted, noting that there are no existing four-year education programs in Western Maryland.

The need to address the Construction Management deficit has never been more evident. A study released by The Opportunity Collaborative in October 2013 has estimated a construction workforce demand for the Baltimore region at 17,000 jobs between 2012 and 2020. The same study estimates that the Baltimore region will need 199 associates degree level, and 108 bachelor’s degree level professionals per year in that timeframe.

And that’s just for Baltimore…

Combined, UMES and Morgan State produce about 15 graduates per year, state wide. One would think that given those numbers, the solutions should be easy: expand existing programs or create new programs. Not so fast. Jumping to the expand/create answer is a “ready, fire, aim” approach. Having the UMES and Morgan State programs are a great base from which to start, but we as a partnership between industry and education really need to think this through, build awareness, and hear from industry on what it really needs.

MCCEI has developed a plan to address the Construction Management deficit issues affecting Maryland business. Some of our efforts include: forming a four-year task force committee from the MCCEI Board of Directors; quantifying the annual demand for construction-related degrees by analyzing hiring data from Maryland companies; benchmarking other successful university program structure and curricula; and examining the construction-education pathways from high school through university.

MCCEI has already made some exciting headway and over the next few months, MCCEI will release, The Critical Path: Phase II, a summary of the 2013 Industry Advisory Panels that provided an in-depth discussion of construction credentialing and skills sets. If you want to know more about MCCEI’s progress with the Construction Management pipeline, stay tuned for a complete update in the next edition of Maryland Working In Cold Weather

Prolonged exposure to cold, wet and windy conditions, even when the temperatures are above freezing, can be dangerous. Extreme cold conditions exist when the equivalent (wind) chill temperature is at or below -25° F (-32 °C). Wind chill temperature is a function of the actual temperature and the estimated wind speed. Under windless conditions, air provides an invisible blanket around the skin. As wind speed increases, this layer of heated air is carried away from the body at an accelerated rate resulting in apparent temperatures well below the air temperature. To determine the wind chill temperature, refer to the chart at the end of the article.

When working in cold weather, employers and workers should to take simple precautions, such as those listed below:

- Wear several layers of clothing rather than one thick layer.
- Wear gloves and a warm wool hat or a helmet liner under the hard hat because 40 percent of a person’s body heat can be lost from an uncovered head; remember to cover the ears.
- Wear synthetic or cotton clothing next to the skin to wick away sweat.
- Wear warm footwear with one or two pairs of warm socks; footwear should not fit too tightly because it will restrict blood flow and cause more harm than good.
- Wear a scarf or face mask in cold windy weather.
- Take frequent short breaks in a warm shelter to allow the body to warm up.
- Avoid exhaustion or fatigue because energy is needed to keep muscles warm.
- Drink warm, sweet beverages and avoid drinks with caffeine or alcohol.
- Eat warm, high calorie food such as pasta dishes.
- Workers who take certain medications, are in poor physical condition or suffer from illnesses such as diabetes, high blood pressure, or cardiovascular disease are at increased risk and should therefore check with a doctor for additional advice.

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Best Kept Secrets of Profitable Construction Companies

It Starts With This Simple Rule: Don’t Botch the Contract Pricing!

There are many reasons why construction contracts lose money, but most relate to botching the contract price during the bid process, and poor project management.

Sometimes contractors aren’t given accurate bid documents up front. This often results in the scope of the project being significantly understated by the company soliciting bids. These price discrepancies are usually fought out with change orders.

For the sake of this article, we will assume that adequate contract specifications are available. Bid failure usually results from estimators and/or project managers not understanding the true total cost of performing their services under the contract.

Understanding fixed and variable costs

Costs of any business fall into two broad categories: fixed and variable. For contractors, fixed costs exist regardless of whether a contract is obtained. Variable costs exist only as a result of a specific contract. What makes it a bit more complicated is that contract costs, which tend to be predominately variable (generally described as “direct costs”), have some fixed component (generally described as “indirect costs”) as well. Major types of direct costs for contractors include materials, labor, equipment rental, and subcontractors, if used. Examples of indirect costs are automotive expenses, depreciation, rent related to construction activity, general liability insurance, repairs and maintenance, project management labor and training. Examples

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Transitions Are Tough But They Can Lead To Better Things

One condition comes with sustaining a business for a long period: sooner or later the business experiences a transition—growth or decline, an acquisition or merger or a sale with the founder/owner leaving the company. Transitions in life and business are almost always difficult. A transition is a change, and we know how much most of us love change.

Even if the transition is a very positive one—a promotion, a new baby, a move to a new place or a new product or service launch—adjustments have to be made to make it as successful as possible. So, take a lesson from the late business guru, Stephen Covey, “Begin with the end in mind.” He advised in his book Seven Habits of Highly Effective People to look at what was desired on the other side of the transition and then work backwards to the present and decide what has to done to create “the other side” you want.

In three of the examples above—a promotion, the birth of a child, a move—be as detailed as you can in visualizing how you will manage your relationships with people in your company when you assume your new position. Create a mental picture of your new child, how he or she will be raised, how you will adjust to the arrival of a new life. Look at the opportunities to energize your personal life in your new surroundings or how a new location for your business will propel it to a new level of success.

However, there is one transition every business owner eventually faces that is often daunting—the transition of the business to new owners, whether they are the next generation in the family or external buyers of the business. The daunting part is the owner’s ability to create a situation on the other side that maintains his/her relevance to others and financially supports the desired lifestyle. Both outcomes require diligent thought and thorough planning.
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Cold Weather

The two serious medical conditions that can result from prolonged exposure to the cold are frostbite and hypothermia.

Frostbite is an injury to the skin and underlying tissue—most often that of the nose, ears, fingers or toes—resulting from prolonged exposure to extreme cold. The first symptoms are a “pins and needles” sensation followed by numbness or pain in the affected extremities. Frostbite is distinguishable by hard, pale, and cold skin. As the area thaws, the flesh becomes red and very painful. First Aid – Move the victim to a warmer place and remove any constricting jewelry and wet clothing. Wrap the affected areas in sterile dressings (remember to separate affected fingers and toes) and immediately get medical attention. Do not rub or massage the affected skin and do not apply hot water or heat. Also, look for signs of hypothermia and treat accordingly.

Hypothermia is a medical condition in which the victim’s core body temperature drops significantly below normal and normal metabolism begins to be impaired. This begins to happen when the core temperature drops below 95 °F (35 °C). When body temperature falls below 90 °F (32 °C) the condition can become critical and eventually fatal. The early warning signs of hypothermia are: excessive shivering, blue lips and fingers, slurred speech, poor coordination, confusion and impaired thinking. Hypothermia may occur at temperatures well above freezing when a victim is submerged in cold water. First Aid – If any of the symptoms of hypothermia are observed, the victim should immediately be taken to shelter—e.g., heated office, trailer, car or truck. Remove wet clothing and wrap victim in warm covers or provide him/her with warm dry clothing. Keep the victim awake if possible. Provide victim with warm, sweet drinks (sugar water, sports type drinks), avoiding drinks with caffeine (e.g. coffee, tea, sodas or hot chocolate) and alcoholic beverages. Get medical attention.

Stay Safe – Stay Warm,
Terry L. Foy
President
Foy Safety Consulting, Inc.
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Wind Chill Chart

Wind Chill (°F) = 35.74 + 0.6215T - 35.75(V^{0.16}) + 0.4275(V^{0.16})

Where, T = Air Temperature (°F)  V = Wind Speed (mph)

Effective 11/01/01

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Frostbite Times

- 30 minutes
- 10 minutes
- 5 minutes

The chart illustrates the wind chill factor based on temperature and wind speed.
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D&L Cleanup is a cleaning company with an attitude! A “yes we can” attitude where each client is treated as though they are our only client! With a keen eye for “attention to detail”, it is essential that all of our customers are pleased with our work and our performance. After all, presenting a clean, welcoming, and inviting business environment is essential to reflecting professionalism, while impressing clients and potential customers. It also enhances and supports employee morale and productivity.

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✓ Waverly Elementary School
✓ U.S. Citizenship and Immigration Services (GSA)
✓ Fells Point Station (Luxury Apartments)

D&L Cleanup is proud to serve the community by providing employment opportunities for others. We work closely with the Center for Urban Families and are grateful to participate in this worthwhile program.

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Management Deficit

Construction Network’s “Networked & Connected!”

For more information about MCCEI, visit www.MCCEI.org.

Bob Aydukovic, CRE is president of The Maryland Center for Construction Education & Innovation, (MCCEI) and has over 20 years of experience working in Maryland’s construction, real estate and economic development sectors.

36% of survey participants were unaware that Maryland has existing bachelor’s degree programs in construction management.
investigate other insurers in the marketplace.

Many publicly traded surety companies’ financial statements and debt ratings, which effectively measure underwriters’ relative financial positions, are available at [http://www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml). You also might ask other contractors in your area which surety they use and how their relationships are going.

**Results may vary**

As you roll forward and dig into another calendar year, it's probably safe to expect no sudden fluctuations in the overall availability or pricing of surety bonds. What's more, assuming your company's financial results have remained relatively stable, your bonding capacity shouldn't change too much, either.

Of course, as the saying goes, individual results may vary — certain sureties could buck national trends depending on their own financial positions and the precariousness of their respective markets. Be sure you know where you stand with your bonding provider.

**Donald N. Hoffman, MS, CPA** is a partner at [Hertzbach & Company, P.A.](http://www.hertzbach.com). Hertzbach is a certified public accounting and consulting firm with offices located in the Baltimore, Greater Washington D.C. and Northern Virginia areas. Mr. Hoffman can be reached at (410) 363-3200 or by emailing dhoffman@hertzbach.com.

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**Gilbane Building Company**, a privately-held, family-owned firm, provides full construction management consulting and facilities-related services.
Project Tour & Networking

Morgan State University Business Management Complex

Project Overview
The Morgan State University Business Management Complex Project is a new 7 story, 143,000 square foot concrete and steel framed facility which will include extensive architectural and interior finishes, various classrooms, conference rooms, labs, a retail area, and hotel suites.

Event Details:
The event will include time for networking with refreshments, a presentation on the project and CM delivery methods, and a site tour.

*Map available upon registration

Presenters at the Event:
Gilbane - Corey Sarver, Project Executive
Ayers Saint Gross – Mike Barber, Associate Principal
Morgan State University – Kim McCalla, Assistant VP Design and Construction Management

Participating Subcontractors:

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Strategic Member Benefit Offerings

CBIZ is proud to announce a strategic partnership with the Maryland Construction Network to provide some insurance products to MCN members. Our goal is to provide a great benefit with an accompanying cost savings that further enhances the value of being involved with the MCN.

Since the inception of MCN, CBIZ has been an active participant starting with Richard Shaw appearing on several of the podcasts hosted by Rob Bertazon. We have also served as sponsor of several events and hosted an educational session on health care reform. Our affinity product offerings take this one step further.

We are pleased to offer MCN members the following:

For Architects and Engineering firms an exclusive property & casualty program through XL Insurance. CBIZ is one of the premier insurance brokers in the Mid-Atlantic region working with A&E firms. Our team has significant experience in this area and offers clients an enhanced program that includes continuing education, contract review, and claims management.

For small and mid size MCN members we are offering our CBIZ/Benexx retirement product. This will not be offered locally through any other association program. Our product can provide a savings on plan costs of an average or $3,000 annually. We offer a significant fund portfolio and extensive plan management services. This is an very easy way to make your MCN membership put money back into your pocket.

For mid size to large MCN members we are offering a retirement plan package that includes Review of Fiduciary Procedure, Review of Investments & Performance, Review of Administration & Compliance Procedure on a fixed fee for this service or name us broker/advisor and it will be included at no additional costs. With fee disclosure now in full effect and the IRS/DOL is starting to crack down on fiduciary compliance. A big component of this is when companies have just a “broker” servicing their plan, since brokers do not offer co-fiduciary support services and this is something the DOL is trying to eliminate.

Richard Shaw is a Vice President with CBIZ Insurance Services, Inc. and has over 25 experience working with clients to help them manage their risk. For more information about these plans and any other insurance needs, you may contact Richard at rshaw@cbiz.com.
Biz Basics Q & A

Question: I am an honest and fair business owner. I have great relationships with my vendors and customers, so why do I need to waste money on a lawyer?

Here is the short answer: “An ounce of prevention is worth a pound of cure.” This principal is just as true in construction as in any other industry. Seeking legal guidance before a dispute arises is critical to your construction firm’s long-term success and will ultimately reduce your overall fees.

You probably get regular tax planning advice from your accountant so that there are no big surprises on April 15th. Construction disputes are inevitable, and having an attorney that knows your business inside and out is just as critical as the advice coming from your accountant. An attorney that already knows your business will spend fewer hours on a litigation matter than a brand new lawyer that you have newly engaged.

As a subcontractor, are you signing the other party’s contract documents? Does the contract say that you will only be paid if the general contractor is paid? Does it allow for you to collect attorneys’ fees if you are not paid accordingly? Does anything you are signing waive your right to file a lien? What are the deadlines for filing a lien? What are the deadlines for filing a bond claim? How much is this going to cost? These are the matters you should be discussing with legal counsel now. Sure, it will cost a fee, but it will be a much smaller fee than the one that you receive for litigation if you forego the counseling.

Aside from having a relationship with an attorney, it is just as critical to your growth and success that you are doing business with people you trust. No contract is going to protect you from someone doing business without integrity. Along the same lines, know that every contract is subject to negotiation. Even the biggest general contractors can negotiate their terms, and if you have successfully won a bid, there is a reason they have chosen you to do their work. Hopefully the reason is not them knowing that you never have counsel review and negotiate your contracts.

As a business owner, there are many other conversations that you should be having with your attorney that do not pertain particularly to construction contracts. For example, if you need to terminate someone’s employment, do you know how to go about it so as to completely protect your business from the threat of a lawsuit? Are your insurance premiums going to rise if you are sued for an employment issue? You need to have an open line of communication with your attorney so that as soon as an issue arises, and even before an issue arises, you are able to get valuable advice. Many law firms are now offering service arrangements that allow clients to call without seeing a bill for legal fees each time an issue arises. Does yours?

Kate Lawrence, is an attorney with Lawrence Law, LLC., a full-service business law firm with a focus in the construction industry. Kate Lawrence provides high-level sophisticated legal advice and small-firm accessibility. Visit http://www.lawrencelawmd.com/ or contact Kate at 443-595-7529.

Experienced Construction Professional Available - Follow this link to MCN’s “Ready To Work” page for more information!

Save the Date!
Educational Seminar & Breakfast
April 10, 2014 - 7:00 - 9:00 a.m.
“MBE/WBE/DBE - The ABC’s of Joint Venturing and Partnering”
Pessin Katz Law Office
901 Dulaney Valley Rd, in Towson, MD
Speakers: James Benjamin, Esq. & Greg Weiner, Esq.
Registration & Breakfast will begin at 7:00 a.m.
More Details & Registration Coming Soon!
of general and administrative expenses include office salaries and burden, office rent, telephone / communication, marketing and advertising, utilities and perhaps interest and taxes if applicable.

What you need to know to bid a profitable job

I often hear frustration from my contractor clients that their employees in charge of bidding on new construction projects do not understand the overhead costs of the business. At the same time, training and tools are not provided to help estimators with bidding. Construction company owners want estimators to recover overhead costs, and even better, make money on the jobs they bid. But owners are often reluctant to provide estimators with the data they need, out of fear of disclosing too much of the company’s financial information.

Overhead is a term that is not always clearly defined or understood. Some think of it as the indirect contract costs only, while others include general and administrative costs as well. However, what needs to be understood is how your contract pricing model is going to cover the total costs of the business plus provide an adequate profit.

When it comes to bidding on contracts, direct costs other than labor are generally not the issue. Due to the labor intensive nature of the construction industry, labor is often the primary cost utilized to recover “overhead.”

Steve Ball, CPA, CVA, CCIFP, is the director of Gross Mendelsohn’s Construction & Real Estate Group. He works closely with contractors to help them improve profitability. He also helps contractors with succession planning, business valuation, accounting and tax planning. Reach him at 410.685.5512 or sball@gma-cpa.com.

Eligibility Requirements for DBE Certification

Question: What factors does the Maryland Department of Transportation (MDOT) consider when determining ownership of a corporation for purposes of eligibility for certification as a disadvantaged business enterprise (DBE)?

To be eligible for DBE certification, a corporation must be at least 51% owned by a socially and economically disadvantaged individual(s). Such individual(s) must own at least 51% of each class of voting stock outstanding and 51% of the aggregate of all stock outstanding.

Ownership must be real, substantial and continuing, and must go beyond pro forma ownership of the business as may be reflected in ownership documents. In addition, the owners of the business must enjoy the customary incidents of ownership as well as share in the risks and profits of the business commensurate with their ownership interests as demonstrated by substance, not merely the form, of the business’ arrangements.

Certification of a business can be a viable tool for developing and maintaining business relationships. Businesses seeking certification as a DBE in Maryland may want to consider obtaining legal advice concerning eligibility requirements for certification prior to applying for certification.

James R Benjamin, Jr., is an attorney with Pessin Katz Law, PA. He concentrates his practice in litigation and business services, including MBE/WBE certification and other related matters. He can be reached by phone at (410) 339-5787 and email at jbenjamin@pklaw.com.

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Engineer’s Corner

**Paperless Construction Documents**

It wasn’t too long ago that in order to send a written communication we needed to get a pen and paper, handwrite a message, put it inside an envelope, place a stamp on the envelope, put it in a mail box, and hope that it will get there soon. I remember my first desktop computer was a 12 Megahertz 286 with a 120 Megabyte hard disk drive! Now, we all have a multi-Gigabyte multi-core CPU in the palm of our hands that does almost everything instantly, short of our laundry! By taking advantage of small computer file formats such as PDF and large storage capacity handheld devices, storage is no longer a problem. Being able to send emails and make phone calls simultaneously utilizing the same hand held device, even time constraints have been reduced. Considering that smart phones and tablet computers have a wide adoption rate, and Wifi access has become prevalent, the hurdles to communication have basically been knocked down.

Almost unnoticeably, these small and relatively cheap gadgets have changed our lifestyles and careers. It simply doesn’t make sense to do things the way we did them in the past when technology has rendered those methods inefficient and uneconomical. One of these past methods, for example, is the use of large size construction plan rolls.

Over the past few years, we have kept our entire correspondences, documents, and plans in PDF format. This has saved us thousands of dollars on storage costs every year and eliminated unnecessary labor to up-keep the files and gave our engineers and project managers in multiple offices instant access to all our files.

Our final product is in an interactive PDF format. Every computer device is able to open these documents. With today’s mobile capabilities, access is available pretty much at any time and place. Imagine how much time, labor and space you could save if you didn't need to handle those big rolls of paper, instead it would be right in front of you with a tap of a finger!

Deihimi Engineering is offering its paperless construction documents at no additional cost. We can also host PDF files on our cloud based servers, make them interactive, and give anyone in the team simultaneous access to them. The time to think outside the box has passed. It’s time to get rid of the box for good!

*Amir Deihimi, P.E.*
*President*
*Deihimi Engineering*
*www.deihimiengineering.com*
Every contracting business and engineering firm has profitable and unprofitable customers. If you have not analyzed this, you should. In most cases owners are shocked when they perform this analysis. Take each customer (or product type or market group) and deduct the cost of goods sold to them. Fairly allocate overhead costs either by a simple blanket allocation of all overhead or by breaking out different overhead costs as they apply to different customers.

New Construction Blues

Take a look at this small mechanical contractor’s books. Simplified, they look like this:

Sales Revenue of $5,000,000 broken down as:

- New construction $2,000,000
- Residential service $500,000
- Commercial service $2,500,000

Cost of Goods Sold $2,675,000 broken down as:

- New construction $1,500,000
- Residential service $175,000
- Commercial service $1,000,000

Overhead totaled $2,000,000, broken up as:

- Indirect labor (including owner’s salary) $750,000
- Other overhead $1,250,000
- Total profit $325,000

The simplest analysis to determine profitability is:

<table>
<thead>
<tr>
<th>Type of Work</th>
<th>Sales</th>
<th>- COGS</th>
<th>= Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Construction</td>
<td>$2,000,000</td>
<td>- $1,500,000</td>
<td>-$300,000</td>
</tr>
<tr>
<td>Residential Service</td>
<td>$500,000</td>
<td>- $175,000</td>
<td>$125,000</td>
</tr>
<tr>
<td>Commercial Service</td>
<td>$2,500,000</td>
<td>- $1,000,000</td>
<td>$500,000</td>
</tr>
</tbody>
</table>

The overhead was allocated based on the percentage of sales of the customer type to total sales.

The next level of analysis might be to allocate indirect labor by the amount of time spent on each customer type. Track or, if you must, estimate payroll allocation to the hours spent direct marketing, supervising, meeting, getting paid etc. With new construction the profitability might decrease more.

As you can clearly see, this business is performing new construction services at a loss. Unless there is a really strong business reason, this business owner should either raise prices for new construction or focus on selling more residential and commercial service. Sales for the sake of sales is ego, (expensive ego) not a valid business reason.

You can make the argument that $100,000 of overhead is paid from new construction projects but that can be equaled with additional sales of under $200,000 of commercial services. Transition to the higher paying customers. The most profitable companies consistently perform this type of analysis and focus on their most

Continued on Page 23
Making Maryland Magnificent

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Making Maryland Magnificent
Realities of Post-Disaster Data Recovery

The construction industry’s dependence on information technology (IT) systems continues to expand with the dramatic shift from document management to data management. With this reliance comes an increased vulnerability to business disruption.

Data management today requires an enterprise view integrating a company’s increasingly complex and interconnected networks. Data must be construed to encompass all information generated, received, transmitted, stored and retrieved throughout the organization. Additionally, data must be incorporated from its various physical and virtual locations, including mobile devices. Following are IT trends impacting AEC companies:

- expansion of email as the predominant form of intra- and inter-company communication;
- growth of online data mobility project management tools using smartphones and tablets to access and transmit data;
- increased adoption of document imaging to replace paper recordkeeping files;
- growth of enterprise resource planning (ERP) platform systems and the integration with best-in-class specialty software programs;
- estimators’ use of the same database to work from multiple locations on complex projects;
- increased adoption of, and massive data files generated by, BIM;
- emergence of hosted and cloud-based data recovery systems;
- expansion of e-discovery in litigation, which raises expectations for (and increases the risks of) record retention; and
- proliferation of social media networks combined with bring your own device policies, which creates new portals for hacking, malware and viruses.

The Need for a Comprehensive Business Continuity Strategy

The severity of natural disasters and the escalating number of man-made emergencies and technological disruptions compounds the construction industry’s dependence on IT systems. Many of these disruptions “only” result in temporary IT system shutdowns, while others pose a threat to the viability of the business.

A company’s vulnerability to data loss can be increased or decreased by the actions taken (or not taken) with regard to data backup and recovery. A robust business continuity plan is the first step. Companies have many choices when selecting the best way to back up their vital information and mission-critical data.

Automatic offsite (hosted or cloud-based) data backup protocols at regular intervals are the best prevention for data loss. These backups must be set for every type of data and for every type of device accessing, transmitting or storing information.

Another data recovery strategy is imaging the company’s server and running the restored replica image from a new server in a remote location. However, this strategy requires pre-planning. In a large-scale disaster, obtaining replacement servers may not be possible.

Causes, Costs and Consequences of Data Loss

Data disruption is a reality of the modern work environment. Causes of data loss include:

- failure to initiate or maintain regular data backups;
- hardware failure;
- human error resulting in accidental deletion, overwriting of data or forgetting to add new IT systems/devices to backup protocols;
- failure to test the backup and data recovery
restoration process to determine adequacy;

- software or application corruption;
- power surges, brownouts and outages;
- computer viruses, malware or hacking;
- theft of IT equipment; and
- hardware damage or destruction from vandalism, fire and water (rain, flood or sprinkler system discharge).

The consequences of lost data include direct loss of revenue from missing bid submissions or customer orders, direct expenses to pay for technical specialists to help recover data, decreased productivity during the shutdown and costs to re-key or obtain replacement data. For contractors selling directly to consumers, the loss of Internet connectivity for any extended time could prove costly. Lost data also can result in litigation for breach of confidential information and adverse publicity affecting the company’s reputation.

A 2012 study commissioned by cloud-based data backup company Carbonite revealed 45 percent of small businesses (defined as fewer than 1,000 employees) had suffered a data loss. Fifty-four percent of the data losses were attributed to hardware failure and the average cost for data recovery was $9,000.

Real-World Data Loss Scenarios

Laptop motherboard failure. A project estimator was working offline when the motherboard crashed. Due to a tight deadline, he had to restart the estimate from scratch. Although the bid was successfully submitted on time, the estimator fell behind on pricing other jobs that the company failed to win.

Lost iPhone. Pictures of a project safety incident with documentation of a mis-marked “one-call system” utility spot were lost. The photo documentation had not been transmitted to the office and the contractor lost the request for damages against the utility locating service. Moreover, the smartphone was not properly password secured, allowing unauthorized access to contacts, client information and company data.

Desktop computer backup location not properly mapped to server. When a workstation was upgraded with a new desktop computer, it was not mapped to the server for automatic backup. The computer hard drive crashed and no files were backed up. Recovery using the old desktop computer was slow and data created on the new computer was lost.

New database not added to the nightly backup protocol. A company purchased a new customer relationship management database and, after a power outage, realized it had not been added to the nightly data backup protocol.

Onsite data backup location destroyed. The building housing an onsite backup server was struck by lightning, which started a fire and resulted in a total loss of all current and historical data.

Disaster recovery software not properly configured. While conducting a test of a company’s disaster recovery plan, it was discovered that some critical data was not being captured in the backup files.

Laptop and tablet stolen from a jobsite trailer. The field equipment had not been backed up for several weeks, resulting in the loss of key project documentation.

Best Practices for Data Management

Data management and IT network administration is a strategic, unique function for all companies. It is not possible to delineate all data management best practices, but the following guidelines should help enhance most companies’ post-disaster data recovery efforts.

Determine the company’s recovery time objectives and plan and budget accordingly. Identify which functions and systems must remain operational at the time of a disruption or disaster. This requires advance planning and budgeting for necessary systems and technical support services. It also helps prioritize risk reduction strategies, including investments in data management backup system and security upgrades.

Develop a written business continuity plan that outlines specific responsibilities for protecting vital information and mission-critical data. The business continuity plan should include protocols for backup and synchronization of all office systems and virtual/mobile devices. It also should address the frequency and format for testing data management integrity and security, as well as how gaps will be identified and addressed.

Inventory the company’s vital information and mission-
disaster data recovery requires a shift in mindset from firefighting to fire prevention. Zero disruptions is a bold strategic imperative that provides a competitive advantage by enhancing field productivity, increasing office efficiency, reducing downtime and preventing data losses. Effective data backup and post-disaster recovery protocols are the essential steps to minimize business disruptions.

Cal Beyer is the vice president of construction large account sales and development for Murray Securus in Lancaster, PA. For More Information, call (717) 358-2763.

Brian Cooney is executive vice president of finance and administration of Barriere Construction, Metairie, La. For more information, call (504) 569-3141 or email brianc@barriere.com.

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There is good news and bad news regarding business data management and recovery. The bad news is the need for post-disaster data recovery can no longer be ignored. The increasingly complex and connected business world demands pre-planning for business continuity. The good news is data management and recovery services are scalable to meet the custom needs of every business regardless of the size and scope of the operation and its degree of data dependence.

Post-disaster data recovery requires a shift in mindset from firefighting to fire prevention.

Data management, business continuity and post-disaster data recovery requires a shift in mindset from firefighting to fire prevention. Zero disruptions is a bold strategic imperative that provides a competitive advantage by enhancing field productivity, increasing office efficiency, reducing downtime and preventing data losses. Effective data backup and post-disaster recovery protocols are the essential steps to minimize business disruptions.

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profitable customers. Over time this is how exceptional profits are generated.

Greg’s Tip: Improving sustainable cash flow and profitability is the most effective way to increase the value of your business. This is by far the most important factor in determining business value. Sell when profits will be improving right through settlement.

Gregory Caruso, Esquire, CPA, CVA is a Principal, Harvest Business Advisors in Columbia, Maryland. He regularly works with contractors, subcontractors, suppliers, engineering companies. He has been involved in more than 50 sales transactions as a business broker, and hundreds of management buy-outs, family transitions, and sale transactions as a business valuator, lawyer and principal. www.harvestbusiness.com, gcaruso@harvestbusiness.com, 410-507-5441
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**COMPACT WHEEL LOADERS** 906H2 | 907H2 | 908H2 | 914G2 | IT14G2

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See the back of this page for additional information about our venue.

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Register Online and Learn More About MCN at www.mdconstructionnet.net

Or forward this completed registration with payment to: Maryland Construction Network® (MCN), 3928 Norrisville Road, Jarrettsville, MD 21084 no later than Friday, February 28th.

Reservations made but not cancelled by end of business Friday, February 28th are non-refundable.

Pre Registration Is Requested!
Registrations Received After February 28th Will Not Receive An Early Bird Discount And Are Subject To Availabilty.

Do you have questions about MCN or need assistance? Contact Verna Regler (verna@mdconstructionnet.net/410.977.8038) at 443.982.7329.
Towson Golf and Country Club, Home of Eagle’s Nest

Eagle’s Nest offers everything from golf, tennis and swimming to a beautiful clubhouse with views that overlook the skyline of Towson.

TGCC offers A La Carte Membership: Customize your membership for your lifestyle. Pay **ONLY** for the amenities you select. (family, couple, domestic couple, individual and special pricing for ages 36 and under). For example, you can choose family pool along with individual golf.

**Benefits and Features:**

- 18 holes of challenging, memorable, enjoyable golf with the area’s best, fastest, and truest greens
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- Four sets of Tee boxes for the long hitters and beginners
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- Our golf pro, Mike Welsh, has been with the club for over 30+ years
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- Golf and Tennis lessons, Summer Camps, Clinics
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- Home of the “Screaming Eagles” swim team (from 8 to 14 years old)
- Entertain friends, family and business associates in our formal dining room overlooking the golf course and beautiful views of the “Valley”
- “The Nest” is our informal dining room with a relaxing casual atmosphere to sit around in “jeans” and enjoy comfort food, bar food or the full dinner menu.
- Enjoy happy hours around the bonfire while socializing with other members
- Social events throughout the year, tailgating parties, trivia night, kids movie night and many more
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Denise Snyder, Membership Director
Turning Lemons Into Lemonade

How do you maintain affordable group health insurance without facing bankruptcy? Perhaps you disband your group and move everyone to individual health insurance products. Or, you change your plan design drastically (e.g., add a higher deductible) and prepare for the backlash from disgruntled employees.

Both strategies may be attractive to you and your bottom line. However, there are many questions still unanswered and a considerable amount of gray area that continues to be clarified by our lawmakers.

Welcome to Health Care Reform!

While the dust settles slowly, be wary of over-promises and solutions that appear “too good to be true”! The media may lead us to believe that subsidies are available for the taking. The reality is that employers and individuals seeking subsidies must meet specific criteria to qualify. In Maryland, employer-sponsored group plan subsidies are only available through the state's SHOP Exchange. The SHOP's launch, however, has been postponed until November 2014. Individuals hoping to receive subsidy will only qualify if last year's income was below 400% of the federal poverty level AND affordable, minimum essential coverage was not offered by the employer.

The IRS has placed additional obstacles in our way:

- Employees may not defer their contributions from payroll taxes for health insurance purchased through the individual insurance market or the Health Insurance Exchange (HIX);
- Health flexible spending accounts are only available on a pretax basis when a group health plan is being offered; and
- Qualified reimbursements from health reimbursement arrangements are only permissible when integrated with a group health plan.

So how do employers' best leverage the group benefits model, reap needed payroll tax savings, attract and retain quality talent, all the while helping employees avoid the individual mandate penalties? Many employers are asking these very questions!

We recommend partnering with a knowledgeable and business-savvy benefits consultant that has the bandwidth to stay updated on the ever changing health care reform rules AND considers your company, business goals, and employees as a multi-faceted entity.

Take your first step by contacting WorkforceTactix.

Sharon Barton
Sr. Benefits Consultant / Voluntary Benefits Specialist
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Continued from Page 9

preparation.

An owner's ability to weather the transition in ownership to family or buyers depends in part on the owner's ability to maintain relevance to others and have a financial platform that supports the life he or she wants to live. The body of knowledge associated with building a solid personal financial platform is enormous, and everyone should take advantage of the services of a trusted financial advisor.

But the concept of relevancy to others may not have the volume of support that the creation of a practical financial plan enjoys. (Therapists, do not be angry with me, please!) So, each of us should think – with or without professional help – about what makes us relevant to others in a way that sustains us and makes us feel alive. In classic brainstorming tradition, create a list of those items. Is it sharing ideas, food, wine, rounds of golf, hiking? Is it writing or volunteering to make the lives of others better? Is it music – enjoying or performing? Whatever they are, catalog them first, then choose the ones that energize you the most – those pursuits that make you unaware of time when you experience or perform them. That shorter list is the map for your other side.

Paul A. Riecks
Principal
INSIGHT
Voice: 410-323-7429
paulriecks@gaininsight.pro
www.gaininsight.pro
Classifieds

Commercial Electrical Estimator - Annapolis area. The position requires (but is not limited to):
- Read, understand and respond to RFP's for government bids
- Review and understand drawings, specs and addenda for public and private bids
- Do quantity takeoffs and prepare estimates
- Obtain pricing from lower tier subs and suppliers if necessary
- Visit project site and attend pre-bids if necessary
- Review project pricing with owner prior to submitting bids
- Follow-up on bids after submission
10+ per week; telecommuting position, Minimum 2-5 years commercial electrical estimating experience,
- Ability to work from home with own computer

Medical Equipment and Furnishings Project Manager - Baltimore Area
This position requires a multi-tasking, detail-oriented individual who is capable of communicating well with hospital staff of all levels, and Facilities construction management and purchasing departments. The ability to read and interpret construction documents is required. Project Manager will handle multiple projects at once, flexibility is needed in order to keep projects moving forward. Duties will include (but not be limited to):
- working with hospital staff to determine specific medical equipment and clinical furniture requirements (including inventoring reusable versus new purchases)
- perform equipment planning and estimating services for capital projects
- determine equipment/furniture performance specifications, develop RFP's and obtain quotes from appropriate vendors
- review specifications against construction documents and/or existing conditions to ensure proper infrastructure (utilities) is provided
- verify vendor quotes meet specifications
- review and process submittals to internal design team
- process paperwork to acquire Purchase Order
- monitor and maintain database information to track progress and status of orders
- maintain project files
- develop project schedule and coordinate deliveries and installation with all parties
- manage vendor contracts; review vendor invoices to process for payment
- develop and finalize punch lists
- facilitate kick off and progress meetings for projects; attend various meetings as may be required

For complete information regarding these, and other positions available, please visit MCN’s Help Wanted Page

Coming Soon

MCN March 6th Direct Connect
Towson Golf & Country Club
5:00 – 7:30 p.m.
See Page 25 For Details & Registration Information.

April 10th Educational Seminar & Breakfast
MBE/WBE/DBE: The ABCs of Joint Venturing & Partnering
7:00 – 9:00 a.m.
Pessin Katz Law Office
Registration Information To Follow.

April 16th Project Tour & Networking With Gilbane
Morgan State University
Business Management Complex
4:00 – 6:30 p.m.
See Page 13 For Details.
Registration Information To Follow.

May 8th Educational Seminar & Breakfast
Key Characteristics of Profitable Construction Companies
7:00 – 9:00 a.m.
Location To Be Determined.
Registration Information To Follow.

MCN May 13th Direct Connect
Sunset Cove Grill (To Be Confirmed)
5:00 – 7:30 p.m.
Registration Information To Follow.

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