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MARCH/APRIL 2011

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>> CEOs Look Ahead to Economic Rebound

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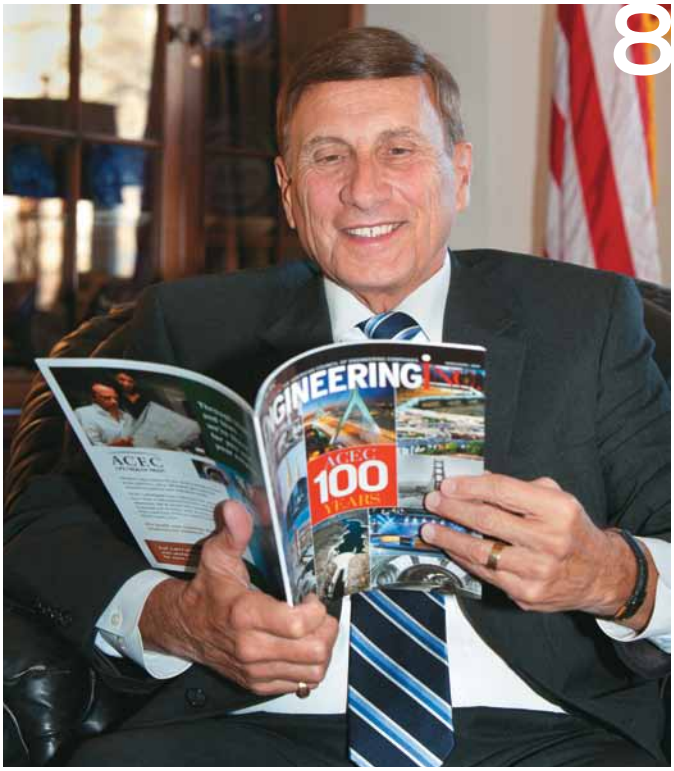

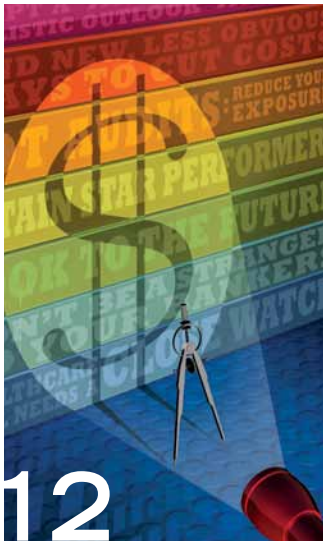

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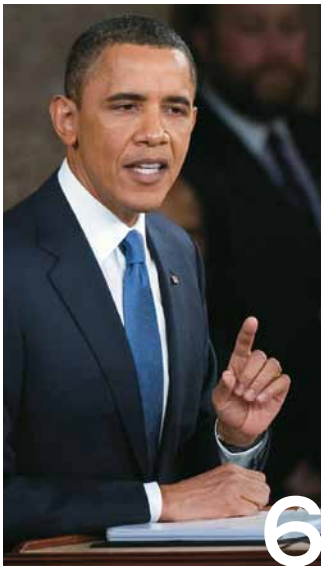

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Engineering Inc. promotes the advocacy and business interests of ACEC by offering news, legislative analysis and business practice information to member firms, clients, opinion leaders and policy makers.

From ACEC to You

Rescue Infrastructure From the Chopping Block

While President Obama's 2012 budget proposal calls for significant expansion of transportation funding, there's no indication of how this will be done. The Highway Trust Fund can't accommodate it, and the administration and Congress are opposed to increasing the gas tax.

The proposed budget also calls for other federal infrastructure programs to be funded at current or reduced levels. With House leaders contemplating even deeper cuts to infrastructure—it all adds up to a mammoth challenge for our industry. We are going to have to fight for every infrastructure dollar.

New House Transportation and Infrastructure Committee Chairman John Mica—this issue's cover feature—labels the nation's collapsing infrastructure "an emergency." Mica must wrestle Tea Party and austerity hawks to maintain current levels of funding and promises to facilitate quicker and more effective project delivery. *See page 8*.

The hundreds of ACEC "citizen lobbyists" who will attend the upcoming Annual Convention and Legislative Summit, March 30–April 2, in Washington, D.C., will have a unique opportunity to influence the Congressional funding debate while it is in full swing. Their participation will help educate legislators on the importance of robust infrastructure investment to jobs and the economy.

Also in this issue of special note, Member Firm CEOs discuss the economic recovery (*see page 18*) and financial management experts offer strategies for tough times. *See page 12*.

We hope to see you at the Convention. Your voice is needed now more than ever.

Gerald Stump
ACEC Chairman

David A. Raymond
ACEC President & CEO

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STAFF EDITOR	Andrea Keeney akeeney@acec.org 202-682-4347
SENIOR COMMUNICATIONS WRITER	Gerry Donohue

TMG

MANAGING EDITOR	Corey Murray
ART DIRECTOR	Jeff Kibler
PROJECT MANAGER	Katie Mason

ADVERTISING SALES

Nina Goldman
Director, Sales and M.O. Services
ACEC
1015 15th Street, NW, 8th Floor
Washington, D.C. 20005-2605
202-682-4325
ngoldman@acec.org

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ACEC, APWA, ASCE Launch Sustainable Infrastructure Institute

A new nonprofit Institute for Sustainable Infrastructure (ISI) is designed to do for the infrastructure sector what the Green Building Council (and its LEED rating system) does for the habitable structures sector.

Launched in February, the organization's board of directors consists of representatives from its three founding organizations—ACEC, the American Public Works Association (APWA) and the American Society of Civil Engineers (ASCE).

The ISI infrastructure rating system—still a work in progress—is founded on a "triple-bottom-line" concept of sustainability—environmental, economic and social considerations.

The rating system will be released this summer.

Former ACEC Chairman Tim Psomas was elected chairman of the ISI Board of Directors. In addition to Psomas, board members from ACEC are ACEC Chairman Jerry Stump and ACEC Chairman-elect Terry Neimeyer.

"This is a groundbreaking effort that will give federal, state and local government agencies a new way to plan and carry out infrastructure projects that achieve broader and longer-term benefits for the American people," said Stump. "Right now, government agencies lack a comprehensive measuring tool that will assess major infrastructure projects in terms of sustainability and other societal needs—the new ISI rating system will fill this need."

ISI membership will be open to individuals, companies, nonprofits and government agencies. The institute will offer certification and continuing education programs for rating-system users.

Founding principals of the Institute are (from left): ACEC President Dave Raymond; ISI Board Chairman Timothy Psomas, Psomas; Larry Stevens, Howard R. Green Company; Howard LaFever, GHD, Inc.; Peter Binney, Merrick and Company; Christine Andersen, Santa Barbara Public Works Department; ASCE Executive Director Patrick Natale; D. Wayne Klotz, Klotz Associates; ACEC Chairman Gerald Stump, Wilbur Smith Associates; Vicki Vikery Quiram, Westwood (Mass.) Public Works Department; ACEC Chairman-Elect Terry F. Neimeyer, KCI Technologies; and APWA Executive Director Peter King.

For more information on ISI and the rating system, please visit www.sustainableinfrastructure.org.

Engineer Demand Up in Manufacturing Sector

Hiring demand for engineering is on the rise again, according to a report by Wanted Technologies, an economic research group specializing in national employment trends.

Report findings show that employers nationwide are seeking to fill 68 percent more engineering positions today than at the recessionary low point in mid-2009.

Current demand is highest in manufacturing, driven primarily by the heavy-duty truck manufacturing, semiconductor and related devices, pharmaceutical preparation, surgical and medical instruments and aircraft manufacturing sectors.

Research also shows that as of press time, there were nearly 5,200 "engineer" occupations posted on paid job boards and job listing sources across the nation that are at least 60 days old (*See chart*).

"The postings are still up since employers are receiving applications from job seekers and most likely have not yet found the appropriate talent," Wanted Technologies researchers say.

The need for engineers is confirmed by the Annual Manpower Talent Shortage Survey, which was conducted recently by Manpower Professional. Results indicate that engineers ranked eighth in the top-10 U.S. jobs most in demand in 2010.

"Employers are already struggling to fill engineering positions, and demand continues to grow," says Manpower Professional Vice President Rich Hutchings. "This talent mismatch, between the open positions and the candidates with the right skills to fill them, presents an enormous challenge for employers."

Looking for Work?

Engineering disciplines with the most job postings

Engineering Occupations	National Job Postings (60+days old)
Industrial Engineers	1,613
Electrical Engineers	840
Mechanical Engineers	777
Electronics Engineers (not Computer)	587
Civil Engineers	253
Computer Hardware Engineers	246
Aerospace Engineers	201
Environmental Engineers	139
Chemical Engineers	104

Source: *Wanted Technologies*

BY JOE SALIMANDO

Growing Middle Class in China, India Sparks Global Infrastructure Demand

Skip back a few years to 2003, and you'll find a report from investment firm Goldman Sachs that predicted near-term growth in Brazil, Russia, India and China (BRICs) would be faster, more durable and more sustainable than growth in the developed world. The prediction came true.

Fueling this growth are the emerging Chinese and Indian middle classes—which, until recently, did not exist.

ALEX SEGRE/ALAMY

The ability of these two emerging social classes to change the current economic landscape was summarized in the recent investment analysis, *What Happens When 4 Billion People Decide to Use Toilet Paper?*

According to that analysis, India's construction industry is projected to grow 226 percent from 2010 to 2016, compared with 86 percent growth in China's construction industry over the same period. (*See Table 1.*)

Middle-class logic is unassailable: Add refrigerators to homes, and you must add capacity to power plants, including more power lines. Sell automobiles to newly mobile millions, and you'll need more roads, more bridges and more transit facilities. If 4 billion people begin to use more toilet paper, BRIC countries such as India and China will be forced to upgrade and expand their wastewater treatment facilities. The list goes on.

How Much Growth, How Fast?

Though India's economy is widely believed to be growing faster than China's, infrastructure development in China has, to date, exceeded development in India. As seen in Table 1, however, a shift—in terms of growth rates—now favors India.

Consider this: India will see average annual growth from 2010–11 to 2015–16 of 11 percent in airport infrastructure investments, 12 percent in transportation and 15 percent in energy and utilities. What's more, in India, industry research firm Business Monitor International (BMI) reports $220 billion in power plants are under construction or in the design pipeline.

Table 1 Construction Industry Growth Forecasts

	2009* (actual)	2015* (forecast)	Total Growth In Period
China	$262B (5.5% of GDP)	$488B (5.3% of GDP)	86%
India	$103B (7.9% of GDP)	$336B (9.1% of GDP)	226%

Source: *BMI*
*China figures apply to calendar year; India figures apply to fiscal year.

In contrast, much of China's construction boom has already happened. Up next is continued expansion, but perhaps not at such a breakneck pace. For example, BMI reports the Chinese government's plan for railway infrastructure calls for a 9 percent annual increase in investment from 2012 to 2020—nothing to sneeze at, certainly, but still below the double-digit growth rate of the past 10 years.

Infrastructure Fails to Keep Pace

In 2010, Indian Prime Minister Manmohan Singh "called for a doubling of spending in the next five years to fix India's creaking infrastructure."

Lack of adequate infrastructure is among India's most pressing problems, as everything from roads to power supplies have so far failed to keep pace with the nation's growing economy. Said Singh: "India must spend $1 trillion to build new highways, airports, ports and other infrastructure between 2012 and 2017 to accelerate economic growth."

India & Power—The energy/utility sector consumes three of every five dollars invested in infrastructure in India—a share that looks to be maintained in coming years.

China & Power—BMI projects that the total value of energy and utilities infrastructure investment in China will hit $130 billion by 2014. The research firm says spending on energy and utilities accounts for 35 percent of total Chinese infrastructure investment. China is also expected to install the most nuclear capacity, building 66 gigawatts of new net generation capacity by 2035.

According to the U.S. Department of Energy's Energy Information Administration, energy consumption in China and India combined in 1990 equaled 10 percent of total world energy use; by 2007, it had advanced to 20 percent. By 2035, the two countries are projected to consume a combined one-third of the world's energy.

Growing Chinese and Indian middle classes all but ensure prospects for global transportation, water and energy infrastructure work will remain bountiful—at least through the next decade.

Joe Salimando writes on construction at www.electricalcontractor.com. Reach him at ecdotcom@gmail.com.

President's Budget Boosts Transportation, Cuts Other Infrastructure Programs

TOM WILLIAMS/GETTY IMAGES

The president sent his 2012 budget proposal to Congress in mid-February, which includes his blueprint for an expanded six-year surface transportation program, but also recommends significant cuts to water and many other infrastructure programs.

At the same time, House legislation intended to fund government programs through the end of the fiscal year is also seeking major cuts in many infrastructure programs.

"The government's actions are a serious challenge to our industry, requiring us to fight for every infrastructure dollar," said ACEC President Dave Raymond. "This is priority No. 1 for us, and our members coming to Washington, D.C., in March for the Annual Convention will be here at a critical juncture in the infrastructure debate, which underscores the need for a strong industry turnout."

The president's F.Y. 2012 budget proposal calls for a new $551 billion six-year surface transportation program that would require $230 billion in unspecified new tax revenues. Included in the package is a $53 billion multiyear commitment to support high-speed rail projects, as well as an upfront $50 billion program to support a range of surface transportation and aviation projects.

The budget proposal requests an overall 66 percent increase in funding for U.S. Department of Transportation programs in 2012, including $69.97 billion for highways, a 70 percent increase in funding over current levels. The administration also proposes to fold the Highway Trust Fund into a new Transportation Trust Fund that would fund high-speed rail, Amtrak and TIGER intermodal grants, in addition to traditional highway and transit programs.

Airport Improvement Program grants would be maintained at current funding levels ($3.5 billion).

In the water sector, the Clean Water and Drinking Water State Revolving Fund (SRF) accounts, which provide capitalization grants to states for water and sewer projects, received significant cuts. The Clean Water SRF was reduced to $1.55 billion, a cut of $550 million from F.Y. 2011. The Drinking Water SRF, currently funded at $1.387 billion, would be cut to $990 million, a reduction of nearly $40 million.

Total funding for the Corps of Engineers Civil Works program was also reduced, including a reduction in the construction account from the current level of $2.017 billion to $1.48 billion.

Nuclear energy is among the few big winners in the Department of Energy budget request, calling for $36 billion in loan guarantees for six to eight new nuclear reactors.

The Environmental Management (EM) program, which provides funding for cleaning up nuclear weapons sites at several locations around the country, would receive $5.4 billion, a $232 million cut from the current year. ACEC is working with industry allies to protect EM funding as the budget process continues in Congress.

Funding for military construction in 2012 would take a significant cut in the president's proposed budget, dropping from $21 billion in 2010 to just more than $13 billion in 2012. In addition, while overall spending for the Department of Veterans Affairs would increase, the construction account would drop from $1.98 billion to $1.27 billion in 2012.

ACEC/Illinois Achieves Landmark Legal Victory For Industry

The Illinois Supreme Court has ruled that an engineering firm's scope of duty is "circumscribed by the terms of the contract" and should not be held to a higher standard of care after the fact.

Alan Schuchman, corporate counsel for CH2M HILL, a defendant in *Thompson v. Gordon*, the case that led to the ruling, thanked ACEC for its "invaluable help" in providing Minuteman Fund support for an amicus brief credited with influencing the court. He said the case represented "a great decision for our industry."

"Supporting cases like Thompson is a prime example of the value that ACEC brings to Member Firms," said David Kennedy, executive director of ACEC/Illinois.

ACEC/Illinois Executive Director David Kennedy

House Committee Clears 3-Year FAA Bill, Endorses QBS

The House Transportation and Infrastructure Committee passed a three-year reauthorization of FAA construction and other programs this week, clearing the bill for House floor consideration next month.

The bill, H.R. 658, would reduce funding for Airport Improvement Program (AIP) grants from the current level of $3.5 billion to $3 billion per year, while slightly increasing funding for operations, facilities and equipment.

During consideration of the bill, the committee adopted an ACEC-backed amendment endorsing the use of Qualifications-Based Selection (QBS) for airport projects funded through Passenger Facility Charges (PFCs). AIP-funded projects are already covered by a QBS requirement, and a major priority for ACEC in recent years has been to extend this to the PFC program.

The Senate has already cleared its version of the bill. The FAA Air Transportation Modernization and Safety Improvement Act (S. 223) would increase AIP funding to more than $4 billion in 2011.

House Poised To Endorse 1099 Repeal

The House of Representatives is expected to approve legislation in early March to repeal a new tax requirement that would dramatically expand the circumstances under which companies would be required to file IRS Form 1099.

BILL CLARK/GETTY IMAGES

Sen. Debbie Stabenow (D-Mich.) offered an ACEC-backed amendment to repeal a burdensome tax filing mandate.

ACEC has been active in opposition to the 1099 mandate, which would require that businesses file 1099s for purchases of both goods and services valued at more than $600 annually from any vendor.

The Senate has already acted on repeal legislation. An amendment offered by Sen. Debbie Stabenow (D-Mich.) to repeal the mandate was included in the Senate's FAA reauthorization bill. The two chambers must still reach agreement on how to offset the costs of the repeal.

ISSUES ON THE MOVE	WHAT'S NEXT
3% withholding repeal	Possible action in the spring
New aviation funding	House action in March
White House push for infrastructure	Congressional budget showdown in March

Renewed Effort to Repeal 3% Withholding Mandate

ACEC's effort to repeal the 3 percent withholding mandate has picked up steam; multiple repeal bills have been introduced in the U.S. House of Representatives and U.S. Senate.

Sens. Scott Brown (R-Mass.), Olympia Snowe (R-Maine), David Vitter (R-La.) and Amy Klobuchar (D-Minn.) have introduced various bills in the Senate to repeal the mandate, which requires government clients to begin withholding 3 percent of payments due for engineering and other services starting in 2012. ACEC and the U.S. Chamber of Commerce are working with the senators to coordinate their repeal efforts.

In the House, Rep. Wally Herger (R-Calif.)—who has led efforts to repeal the mandate since it was enacted in 2006—has joined Rep. Earl Blumenauer (D-Ore.) to introduce the House bill.

ACEC and its coalition allies are lobbying Congress to repeal or delay implementation of the withholding mandate as soon as possible before the Jan. 1, 2012, implementation deadline. Businesses and governmental entities must begin changing IT systems soon in order to be in compliance with the law, and ACEC is urging Congress to avoid imposing unnecessary costs.

Federal Agencies Commit To More A/E Contracting Opportunities Abroad

Ken Baum, who heads the U.S. Agency for International Development (USAID) Global A/E Indefinite Quantity Contract program, told the ACEC International Committee that his agency is committed to increasing its use of engineering and architecture services.

"One of our major priorities is to get our agency to learn culturally that it needs A/E services in order to do quality construction work," said Baum.

The Global A/E Indefinite Quantity Contract is a five-year, $500 million program to provide private-sector infrastructure-related expertise to USAID missions.

For more information on the ACEC International Committee, contact Mark Steiner at msteiner@acec.org or call 202-347-7474.

For More News

For weekly legislative news, visit ACEC's *Last Word* online at www.acec.org.

Chairman Mica (right) discusses infrastructure issues with ACEC Chairman Jerry Stump (center) and President Dave Raymond.

GARY LANDSMAN

Reform-Minded Chairman John Mica Tackles the Nation's Infrastructure Dilemma

The new chairman of the powerful House Transportation and Infrastructure Committee, has long been recognized as a thoughful leader on transportation, water and other infrastructure issues.

Currently serving his 10th term, Mica sat down with ACEC Chairman Jerry Stump and President Dave Raymond to discuss the future of infrastructure funding and the challenges we face in project delivery and fiscal responsibility. >>

GARY L. LANDSMAN

Rep. John Mica (R-Fla.) (center) with ACEC Chairman Gerald Stump (left) and ACEC President and CEO Dave Raymond (right) on Capitol Hill.

ACEC: **Infrastructure investments have long been broadly supported by members of both political parties. Despite recent partisan tensions, do you see infrastructure as an area where a divided Congress and the administration can reach compromises that benefit the economy and the American people?**

REP. JOHN MICA: I am working with my colleagues in Congress and the administration to seek cost-effective, innovative ways to invest in and improve our nation's infrastructure. We can handle our highways, airports, transit systems, ports, waterways and rails in a fiscally responsible manner.

Regardless of party, political leaders received a clear message from the voters last November to cut spending, increase accountability in government, use the resources we have more wisely and create jobs. The House Transportation and Infrastructure Committee has a responsibility to improve our infrastructure as well as to be better stewards of the taxpayers' money. Both challenges must be met. I look forward to working with Republicans, Democrats and anyone else to find common ground and achieve these goals for our nation and get people working again.

ACEC: **Given the tremendous budget pressures facing the federal government in general and transportation programs in particular, how do you plan to write a long-term surface transportation bill that reflects current fiscal realities while also meeting the well-documented needs of the nation's transportation systems?**

MICA: We can do more with less. We must seek ways to better leverage existing resources, eliminate red tape and speed up the project approval process, identify innovative and fiscally responsible means of financing projects, better define and take advantage of public-private partnerships and improve the management of federal government assets. Every federal dollar for infrastructure must be used as effectively as possible. Our limited resources are critical to reducing our high unemployment rate.

"The House Transportation and Infrastructure Committee has a responsibility to improve our infrastructure as well as to be better stewards of the taxpayers' money. Both challenges must be met."

One improvement we must make is adopting a 437-day plan to expedite infrastructure projects. The I-35W bridge that collapsed in Minnesota was replaced in just 437 days. A project of that magnitude usually takes seven to eight years just to receive the necessary approvals. We must dramatically speed up the project approval process for infrastructure across the coun-

try in order to significantly improve our efficiency.

We also need to significantly reform the nation's federal transportation programs. With more than 100 federal surface transportation programs, we must cut, consolidate and streamline these programs. States need greater flexibility to address their unique infrastructure needs, rather than excessive mandates that too often tie states' hands.

As the House committee develops a surface transportation reauthorization, we will seek to refocus the federal government's programs and role in providing for our infrastructure. We have no choice but to do more with less on transportation projects that are truly in the federal interest. Projects that will produce only local benefits may not be federal priorities and may be more appropriately funded by state or local governments.

ACEC: **The federal fuels tax has a limited useful life for financing transportation programs because of increasing vehicle efficiency, the rise of alternative fuels and the political pressure surrounding taxes. Do you support a vehicle-miles-traveled fee or other more direct user fee, as recommended by the two congressionally chartered transportation commissions? What needs to happen to transition away from the gas tax over the long term to maintain stable funding for transportation investments?**

MICA: The federal gas tax is becoming obsolete; however, raising the gas tax is not the only way to address our future infrastructure needs. Congress must weigh the positive and negative aspects of various alternative mechanisms to replace the gas tax, including other methods of collecting revenue, or combinations of alternatives. However, Congress must also immediately recognize the critical need to improve the efficiency of programs, eliminate waste and bureaucracy that siphons our precious resources away from improving our infrastructure, open project construction and operation to more private-sector participation, and better leverage existing funds.

ACEC: **You've repeatedly stated your intent to open transportation projects to more private-sector involvement, from financing through construction to operations. Florida DOT offers a good example of an agency that effectively uses engineering firms to deliver projects to the public. What role do you see for the engineering industry in designing and delivering the next generation of transportation systems?**

MICA: Public-private partnerships represent one potential source of greater infrastructure revenue. In 2010, the House Transportation and Infrastructure Committee received testimony that there is $180 billion in private-sector capital available to be invested in infrastructure.

In addition to being a source of capital, the private sector can provide expertise and efficiencies that governments may not be able to provide. Design-Build and Design-Build-Operate-Maintain contracts can save a tremendous amount of time and money. While these types of contracts are becoming more popular, we need to make sure that states and localities are considering these options when it makes sense for the project. We also need to remove red tape and regulatory barriers that prevent states and localities from adopting innovative solutions for their unique transportation needs.

By taking better advantage of what the private sector has to offer in designing, building and operating projects, in the appropriate circumstances, we can add another tool that will help us to maximize the amount of infrastructure we can get for our limited dollars.

"By taking better advantage of what the private sector has to offer in designing, building and operating projects… we can add another tool that will help us to maximize the amount of infrastructure we can get for our limited dollars."

ACEC: **The House and Senate came close last year to finishing work on a new multiyear aviation program. Do you believe this is something Congress can clear early in 2011?**

MICA: A reauthorization of the Federal Aviation Administration's (FAA's) programs is the House Transportation and Infrastructure Committee's first legislative priority for 2011. It has been more than three years since the previous authorization expired, leaving the nation too long without a new law setting our aviation project and program policies. With only a long series of short-term extensions of the expired law, airports across the country have been unable to plan many long-term and necessary infrastructure improvements.

A multiyear FAA bill will again allow airport authorities to move forward with significant projects that will help create and sustain important construction jobs, improve the economies of both their local communities and the areas to which they connect, and bring greater efficiency to the entire U.S. air traffic system.

The committee's FAA bill will also seek to eliminate programmatic waste, bring greater accountability and efficiency to our aviation programs—including the NextGen modernization program—and explore ways to involve the private sector in helping improve the performance of U.S. aviation.

ACEC: **Passage of the Water Resources Development Act (WRDA) to authorize new U.S. Army Corps of Engineers water projects is another key industry priority. What are your plans on moving a new WRDA bill?**

MICA: The House Transportation and Infrastructure Committee will support cost-effective programs and policies to improve our nation's water infrastructure, inland waterways navigation, flood protection efforts and aquatic ecosystems. The committee's goals for water infrastructure legislation coincide with those of other key infrastructure bills, including the surface transportation and aviation reauthorizations.

The committee will work to improve our nation's water infrastructure through fiscally responsible legislation that seeks to do more with less, eliminate red tape and any waste in the programs of the U.S. Army Corps of Engineers and the Environmental Protection Agency, and find innovative ways to finance projects. ■


FIND NEW WAYS TO CUT COSTS
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HEALTHCARE STILL NEEDS A CLOSE WATCH

Accounting for Tough Times

By Alan Joch

Financial management strategies to survive, then thrive

Takeaways

- With a return to the boom times of several years ago unlikely, financial experts say firms must create realistic expectations for competing in a changed business climate.
- Mapping out a long-term plan for your firm's success helps employees, creditors and clients feel at ease, and provides positive benchmarks to shoot for.
- Firms must conform to new audit rules for state departments of transportation contracts to avoid costly penalties.

As engineering firms sift through the economic debris of the Great Recession, executives are slowly coming to grips with the challenges of a changed business landscape. Some have trimmed staff. Others have tightened their belts by controlling costs and drilling down to core strengths. But, experts say, those efforts will get a firm only so far.

With the focus shifting from how to survive to how to thrive in the new economy, the question for many engineers is, "What more can we do to manage our finances that we haven't already done?"

DEREK LEA

"When companies look to acquire another company, one of the prime things they look for is talent."
LOWELL GETZ, *LOWELL Z. GETZ, CPA*

According to industry accounting/financial experts, the following seven financial strategies can help strengthen a firm's balance sheet in anticipation of headier times.

1: Be Realistic

Instead of hoping for the kinds of turnarounds the industry has seen in the past, engineers need to figure out how to compete in a completely new environment. "A steep V-shaped recovery still may occur—so be prepared for an upswing, but don't count on it," advises Paul Haglund, a financial-management consultant for engineering and architectural companies.

This reality is pushing some firms to be more conservative in choosing clients. Loren Sokolow, CFO of Psomas in Los Angeles, says undercapitalized developers closed shop without paying his firm for work completed when the bottom fell out of the construction market in the Southwest. Having learned a tough lesson the hard way, Psomas now deals primarily with developers that have solid track records and agree to pay certain fees upfront. Specific contract language acknowledges that if future payments fall more than 60 days behind, Psomas will stop work on a project. "We have a lot fewer write-offs today because we are just more diligent and we're dealing with a different clientele," Sokolow says.

2: Find New Ways To Cut Costs

As a cost-cutting measure, many engineering firms last year consolidated facilities. They now are renegotiating leases for offices that remain. Also under the microscope: the information technology (IT) budget.

Psomas has taken a hard line in both areas. Eyeing office space as one of its biggest expenses, the company closed offices and bought out leases in regions where new construction is unlikely to rebound anytime soon. In a couple of cases, it sublet extra space until the existing lease expired.

Psomas also significantly cut IT costs by embracing cloud computing—a strategy where companies pay a monthly fee to tap into an outside service provider's storehouse of business applications, computers and storage resources. In return, subscribers no longer have to make upfront investments in hardware, software licenses and in-house IT staff. They also can count on more predictable costs.

A cloud provider, for example, handles Psomas' e-mail and electronic calendar systems. Sokolow says the move has saved the company more than $250,000 over three years in reduced local staffing for on-premise support, for server refreshes and by eliminating local data storage. Another cloud service automatically backs up the company's most important business files to an offsite data center. Among the savings is more than $6,000 in monthly costs to backup tape media.

"If an engineering firm has survived to this point without needing to expand its credit line, this might be a good time to go out and try to extend that line."
PAUL HAGLUND
FINANCIAL-MANAGEMENT CONSULTANT

But cloud models are still evolving, and Sokolow says Psomas experienced performance problems as a result of one provider's growing pains. "But, all in all, it has been a positive move that gives us a lot more functionality than we used to have," he says.

3: Retain Star Performers

The staff that remains today likely represents an organization's best talent.

Now is the time to reward them for their loyalty.

Identify talent that will continue to help navigate your firm through tough times and into the economic upturn. Look beyond scarce financial rewards to incentives that will resonate with star employees. This often includes greater management responsibility. "It's tempting for a manager in these times to say, 'I've got to control everything myself so that I know it's done right,'" Haglund says. "You are going to lose people if you don't let them know that they are in a growing mode, professionally speaking."

Cultivating tomorrow's managers is vital for companies looking to become acquisition targets. "When companies look to acquire another company, one of the prime things they look for is talent," says Lowell Getz, principal at Lowell Z. Getz, CPA, an accounting firm that specializes in ownership transition for engineering and architectural clients. It's not just engineering expertise that counts—future managers also must demonstrate entrepreneurial spirit and an understanding of the entire business, including finance, marketing and human resources, he says.

Another consideration: Keep morale high by balancing painful cutbacks with opportunities for new initiatives. Haglund, for example, advised one client that wanted to cut its IT budget by 15 percent to push for 25 percent in cuts. The strategy was to then tell IT that it could spend 10 percent on a new project that would strengthen the business. "You don't want to just cut; you want people to see you're also improving," he says.

4: Look to the Future

Mapping out a clear plan for ownership transition isn't important only when the current management is ready to step down. A long-term plan contributes to the overall value of the organization and its ability to attract new clients and credit.

The economic downturn might complicate these efforts by making it harder for some firms to broaden ownership through the sale of stock to internal staff. "People don't have the money to buy the shares, so the firm has to finance its own transition through bonuses to staff in order for them to acquire the stock," Getz says. "This makes it harder to accomplish the transition in the time period in which owners might want to do it."

Firms may have to consider alternatives such as employee stock ownership plans or eventually sell the firm to a competitor, he says.

5: Don't Be a Stranger To Your Bankers

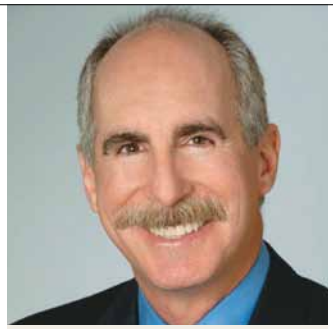
Business lending has been almost nonexistent over the past few years. But there are signs that money might soon start to flow again. That means engineering firms need to strengthen ties to banks, even if they don't have immediate plans for a new loan.

"If an engineering firm has survived to this point without needing to expand its credit line, this might be a good time to go out and try to extend that line," says Haglund. "The theory is that when you don't need the money, that is the best time to go to the banker for help. After all, you don't know what may be down the road."

6: Health Care Costs Require Continued Scrutiny

The laws are changing and rates keep rising—don't let economic turmoil inhibit you from staying on top of your employee health benefits, especially because a series of changes are set to kick in between now and 2014 before the full impact of the Affordable Health Care for America Act will be felt.

Absorbing rising health care premiums during an era of financial stringency isn't the only challenge, says Psomas' Sokolow. Companies also need to distribute the increases equitably among staff. The first priority should be to negotiate with insurance companies to keep impending increases as low as possible. At Psomas, these efforts kept a recent jump to less than 10 percent in a state that saw plenty of double-digit hikes last year. What's more, Psomas passed only a portion of that increase on to its employees. "Employees are still paying the same percentage of the bill as they had been, and we didn't raise deductibles or add co-pays," Sokolow explains. "We still wanted to give the employees a very generous benefit."



"We have a lot fewer write-offs today because we are just more diligent and we're dealing with a different clientele."

LOREN SOKOLOW
PSOMAS

7: Reduce Your Exposure In DOT Audits

The rules have changed for audits of state departments of transportation (DOTs) contracts, and savvy engineering firms are redoubling efforts to conform to the new rules and avoid costly penalties.

In the past, it was up to DOTs to audit engineering-firm charges claimed as overhead. But rule changes now require that engineers verify claims through in-house or third-party audits. Financial plans must address the added auditing costs, as well as the potential risks, that arise as owners navigate a complex set of rules. For example, common deductions for interest expenses and advertising costs are typically not allowed, Haglund says.

Small firms aren't immune to the added work required to show regulatory compliance. A growing number of states now are requiring subcontractors, including two- or three-person consulting organizations, to document their overhead and show they're following the same process at their larger prime contractors.

Haglund's advice as engineers become more familiar with the rules is to demonstrate a good-faith effort to comply. If a problem arises, auditors might be inclined to make the necessary adjustments without imposing severe penalties. "They may say, 'We won't hit you with all sorts of problems for this, but let's agree that going forward you'll make a change,'" he says. "Good faith counts for a lot with the auditor." ■

Alan Joch is a business and technology writer based in Francestown, N.H.

Financial Management and Accounting Firms of Note

The following list includes ACEC Affiliate Members (in red) as well as other firms recommended by ACEC Members as providing exceptional service.*

ARIZONA

Keegan, Linscott & Kenon, LLP
33 North Stone Avenue
Suite 1100
Tucson, Ariz. 85701
Phone: 520-884-0176
www.klkcpa.com
G. Antonio Kenon, CPA, Dir., Audit Department
tkenon@klkcpa.com

CALIFORNIA

Duff & Phelps, LLC
11150 Santa Monica Boulevard
6th Floor
Los Angeles, Calif. 90025
Phone: 310-284-8008
www.duffandphelps.com
Sheryl Cefali, Managing Director
SCefali@duffandphelps.com
Service Territory: Nationwide

HBLA Certified Public Accountants, Inc.
19600 Fairchild
Suite 300
Irvine, Calif. 92612-2584
Phone: 949-833-2815
www.hbla.com
Lynda Mulley, Dir., Business Development
lynda@hbla.com
Service Territory: Regional

Stoughton Davidson
2520 West Shaw Lane
Suite 101
Fresno, Calif. 93711
Phone: 559-436-1200
www.stoughtoncpa.com
Tom McFerson, Engagement Partner
tkm@stoughtoncpa.com
Service Territory: Statewide

COLORADO

Axiom Solutions
10463 Park Meadows Drive
Lonetree, Colo. 80124
Phone: 303-638-3170
www.axiomsolutions.com
Frank Saya, Partner
fsaya@axiomsolutions.com

FMI Corporation
210 University Boulevard
Suite 800
Denver, Colo. 80206
Phone: 303-377-4740
www.fminet.com
Michael S. Landry
Managing Director
mlandry@fminet.com

Foos Financial Group
2 Inverness Drive East
Suite 188
Englewood, Colo. 80112
Phone: 303-327-8100
www.foosfinancial.com
Brad Foos, CPA, ChFC, CLU, President/CEO
bfoos@ffgusa.net
Service Territory: Statewide

FLORIDA

Brimmer, Burek and Keelan
5601 Mariner Street
Suite 200
Tampa, Fla. 33609
Phone: 813-282-3400
http://bbkm.com
Donald Keyes, CPA
donaldk@bbkm.com
Service Territory: Regional

BST Global
5925 Benjamin Center Drive
Suite 110
Tampa, Fla. 33634
Phone: 813-886-3300
www.bstglobal.com
Carol Lebus, Account Director
clebus@bstglobal.com
Service Territory: Nationwide

Collinsworth, Alter, Fowler, Dowling & French Group
5803 NW 151 Street
3rd Floor
Miami Lakes, Fla. 33014
Phone: 305-822-7800
www.collinsworthalter.com
Meade Collinsworth, Partner
mcollinsworth@cafdf.com
Service Territory: Regional

Gionis Insurance Services
10923 Countryway Boulevard
Tampa, Fla. 33626
Phone: 813-818-8805
http://gionisinsurance.com
Steve Gionis, President
steve@gionisinsurance.com
Service Territory: Regional

RBC Centura
4221 W. Boy Scout Blvd.
Suite 100
Tampa, Fla. 33607
Phone: 813-357-6070
http://rbc.com
Dianne Dipalermo, V.P., Commercial Banking
dianne.dipalermo@rbc.com
Service Territory: Nationwide

Redhead Financial Group
3030 N. Rocky Point Drive W.
Suite 800
Tampa Fla. 33607
Phone: 813-289-0551
www.redheadfinancial.com
Chris Redhead, CFP, ChFC, CFS, Managing Director
info@chrisredhead.com
Service Territory: Regional

R.J.L. Pension Services, Inc.
7254 Mitchell Boulevard
New Port Richey, Fla. 34655
Phone: 813-969-4015 or 727-326-1761
www.rjl-pensions.com
Jeanette C. Lucadano, Executive Vice President
jlucadano@rjl-pensions.com
Service Territory: Local

Suncoast Insurance
5680-A W. Cypress Street
Tampa, Fla. 33607
Phone: 813-289-5200
http://suncoastins.com
Danny DeLaRosa, Vice President
ddelarosa@suncoastins.com
Service Territory: Statewide

Synovus Bank
4488 West Boy Scout Boulevard
Tampa, Fla. 33607
Phone: 813-317-0085, ext. 3006
http://synovus.com
Deborah Sheridan
DeborahSheridan@synovus bankfl.com
Service Territory: Nationwide

GEORGIA

Deemer Dana & Froehle LLP
2905 Premiere Parkway
Suite 100
Duluth, Ga. 30097
Phone: 800-852-6075
www.ddfcpas.com
Richard Deemer, Partner
rdeemer@ddfcpas.com

T. Wayne Owens, CPA, LLC
1689 Duluth Hwy
Lawrenceville, Ga. 30043
Phone: 678-261-8566
T. Wayne Owens, President
wowens@twocpa.com

ILLINOIS

A/E Finance
801 67th Street
Downers Grove, Ill. 60516
Phone: 630-963-5423
www.aefinance.net
Michael A. Webber, CFO/Principal
mawebber@amkw.com

North Star Trust
500 West Madison
Suite 3150
Chicago, Ill. 60661
Phone: 312-559-9761
www.northstartrust.com
John G. Hommel, President
jhommel@northstartrust.com
Service Territory: Nationwide

INDIANA

Somerset CPAs, PC
3925 River Crossing Parkway
3rd Floor
Indianapolis, Ind. 46240
Phone: 317-472-2116
http://somersetcpas.com
Christopher Mayfield
Sr. Mgr., Construction & A/E Team
cmayfield@somersetcpas.com
Service Territory: Regional

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KANSAS

Systems Management Consultants, Inc.
11630 Connell Street
Suite 11
Overland Park, Kan. 66210
Phone: 913-681-1530
www.sysmgmt.com
Mike Ingardia, P.E., President
mike@sysmgmt.com
Service Territory: Nationwide

LOUISIANA

Wegmann Dazet & Company
109 New Camellia Blvd.
Suite 106
Covington, La. 70433
Phone: 985-792-4504
www.wdco.biz
Mark Bohnet, CPA, Tax Partner
mbohnet@wdco.biz
Service Territory: Regional

MARYLAND

KingdomTrust Capital Management Inc.
4800 Hampden Lane
Suite 200
Bethesda, Md. 20814
Phone: 240-245-3434
www.kingdomtrustcapital.com
Martin A. Smith, CRPC, AIF, AIFA
President, Managing Director
martin@kingdomtrustcapital.com

MASSACHUSETTS

DiCicco, Gulman & Company, LLP
150 Presidential Way
Suite 150
Woburn, Mass. 01801
Phone: 781-937-5300
www.dgccpa.com
David Sullivan, Partner, A&E
dsullivan@dgccpa.com

Rusk O'Brien Gido + Partners, LLC
Six Clock Tower Place
Suite 170
Maynard, Mass. 01754
Phone: 617-274-8051
www.rog-partners.com
Ian Rusk, Managing Principal
irusk@rog-partners.com
Michael S. O'Brien, ASA, Principal
mobrien@rog-partners.com

John T. Dougherty & Associates
21 Franklin Street
Suite 215
Quincy, Mass. 02169
Phone: 617-328-0055
John T. Dougherty, CPA
jdoughertycpa@earthlink.net
Service Territory: Regional

MICHIGAN

Gen2 Group, LLC
5801 Trotter Lane
West Bloomfield, Mich. 48322
Phone: 248-535-3300
Bruce McFarland, Principal
BMcFarland@gen2grouponline.com

MINNESOTA

Capstone Advisory Group, LLC
7650 Edinborough Way
Suite 770
Edina, Minn. 55435
Phone: 952-562-2440
Greg Mortenson, AIF, Principal
gmortenson@capstoneadv group.com
Service Territory: Nationwide

MISSOURI

Brown Smith Wallace
1050 N. Lindbergh Blvd.
St. Louis, Mo. 63132
Phone: 314-983-1200
www.bswllc.com
Ted Flom, Principal
tflom@bswllc.com
Service Territory: Regional

RubinBrown
One North Brentwood Blvd.
St. Louis, Mo. 63105
Phone: 314-290-3300
www.rubinbrown.com
Mark Jansen, Principal
mark.jansen@rubinbrown.com
Service Territory: Regional

NEBRASKA

First National Merchant Solutions
1620 Dodge Street
Omaha, Neb. 68197
Phone: 331-452-5742
www.fnms.com
Anthony Tomain
Regional Sales Executive
atomain@fnms.com
Service Territory: Nationwide

NEW YORK

Dannible/McKee and Associates, LTD
221 S Warren Street
Suite 500
Syracuse, N.Y. 13202
Phone: 215-472-9127
www.dmconsulting.com
Ms. Jamiee Pishotti,
Marketing Director
jpishotti@dmcpas.com

First American Equipment Finance
255 Woodcliff Drive
Fairport, N.Y. 14450
Phone: 585-643-3266
www.faef.com
Mike Wiedemer, Vice President
mike.wiedemer@faef.com

USA Payroll
1057 East Henrietta Road
Rochester, N.Y. 14623
Phone: 585-427-2010
http://usapayroll.com
Candice Moreland
Remote Trainer/Ancillary Service Coordinator
cmoreland@usapayroll.com
Service Territory: Nationwide

OHIO

Huntington Copper
4770 Duke Drive
Mason, Ohio 45040
Phone: 877-373-2862
www.huntingtoncopper.com
Chris Nesbitt, Client Advisory Director
cnesbitt@huntingtoncopper.com

PENNSYLVANIA

SES Advisors, Inc.
10 Shurs Lane
Suite 102
Philadelphia, Pa. 19127
Phone: 215-508-5639
http://sesadvisors.com
Alice H. Simons, Marketing Mgr.
asimons@sesadvisors.com
Service Territory: Nationwide

SOUTH DAKOTA

Brandt, Solomon & Anderson LLP
622 S. Minnesota Avenue
Sioux Falls, S.D. 57104-4825
Phone: 605-336-0935
http://bsallp.com
Rhon Anderson, CPA, Principal
randerson@bsallp.com
Service Territory: Regional

TEXAS

alliantgroup, LP
5400 Westheimer Court
Suite 700
Houston, Texas 77056
Phone: 917-250-0530
www.alliantgroup.com
Ms. Amila Salihbasic
Associate Director
Amila.Salihbasic@alliantgroup.com

CEO Roundtable

Anticipating the Rebound

Member Firm CEOs address changing marketplace

By Stacy Collett

Many engineering firms entered 2011 looking like they just went 12 rounds in a tough boxing match, as a stubborn and relentless recession took its toll on balance sheets and project backlogs.

The sheer duration of the economic drama forced many executives to make wholesale strategic adjustments, such as slashing expenses, cutting staff, adjusting hiring processes and fundamentally altering how their firms will conduct business into the future.

Having stood toe-to-toe with the Great Recession, the industry is understandably eager for relief in the form of an economic rebound. Though many executives say their businesses show signs of picking up in 2011, uncertainty still looms large for many firms struggling to regain their footing.

To better comprehend the challenges facing engineering firms in the months ahead, ACEC queried some of the industry's top CEOs for their perspective. Though clear signs of a rebound are on the not-too-distant horizon, the CEO roundtable reaffirmed that, similar to a prizefighter after a long and difficult bout, recovery is a slow, often painful process. >>

Len Rodman

Chairman, President and CEO
Black & Veatch

Headquarters: Overland Park, Kan.
Size: 8,000-plus employees in 100 offices worldwide
Specialty: Infrastructure development in energy, water, telecommunications, management consulting, federal and environmental markets

Black & Veatch faces challenges domestically and abroad, says Len Rodman. In the United States, state and local governments "severely cramped for cash" threaten water and wastewater projects. In the global arena, a growing pool of firms vying for contracts has spurred increased competition. "The competitive landscape is pretty challenging right now," he says. While the dollar remains attractive globally, Rodman says U.S. firms must find new ways to gain competitive advantage. Promising improved productivity simply isn't going to cut it—not anymore.

"For the last few years, the industry in general has had success because we have relied on overburdening our workforce to do more for the same money," he says. "That's probably going to be a challenge as markets start to pick up and improve."

Looking ahead, Rodman sees renewed signs of life in U.S. engineering projects, specifically those dealing with electric power generation, renewable energy, air quality associated with existing fossil fuel generation and cellular telecom. "There's also quite a bit of work that will need to be done under federal environmental mandates for storm sewer and combined sewer overflow regulations," he says. "It's not so much looking in the rear-view mirror, but understanding what the current and future needs are and having people flexible enough to meet those needs."

Nick DeNichilo

President and CEO
Hatch Mott MacDonald Group

Headquarters: Millburn, N.J.
Size: 2,000 employees in 65 offices in the United States and Canada
Specialty: Transportation, tunnels, water, wastewater and environment

Nick DeNichilo counts project cancelations as one of his top concerns for 2011. He speaks from experience: In October 2010, New Jersey canceled its Trans-Hudson Express Arc project. His firm, Hatch Mott MacDonald Group, had served as a design/build engineer for one of the project's contractors. "In the current economic climate, what you have today might be gone tomorrow," he says.

About 70 percent of the firm's business resides in public-sector work, so "I'm very concerned about the current budget deficits at federal, state and local levels," he adds.

On the bright side, DeNichilo projects hot markets in 2011, especially in areas such as rail and transit. "When you consider urban congestion, we see a lot going on with light-rail transit projects," he says. "The whole high-speed rail program is going to attract a lot more attention as well."

DeNichilo also sees growth in infrastructure business as it relates to public/private financing, specifically toll roads and water projects "where there's a revenue stream."

"It will be a challenging year," he says, "but there are a lot of opportunities at play."

Richard Fox

Chairman and CEO
CDM

Headquarters: Cambridge, Mass.
Size: 4,500 employees in 120 offices worldwide
Specialty: Water/wastewater, environmental management, transportation and industrial facilities design

Executives at CDM are cautiously optimistic about the second half of 2011. For now, though, the firm intends to take a wait-and-see approach. "We are still fighting the overall issue of the economic recovery," says Richard Fox. Though water projects make up the bulk of his firm's work, "I worry very much about the transportation funding in the United States. The gas tax trust fund is starting to unravel, and there's nothing in place to replace it. DOD-level transportation projects are very much dependent on federal funding, unlike the water sector, which is dependent on local funding. If that unravels—then a major piece of our infrastructure and our business is under attack."

As the firm waits for the transportation funding debate to play out, Fox says that the federal side of CDM's business is experiencing significant growth, thanks in large part to Base Realignment and Closure, or BRAC, projects and some stimulus-funded projects. In addition, local municipalities continue to fund water and wastewater infrastructure investments. "Those things have kept us reasonably healthy."

Moving forward, Fox predicts an uptick in private-sector remediation work, such as legacy projects and contamination. "There's an enormous backlog in the private sector. They just haven't been investing in the last couple of years," he says. "We're expecting some real signs of uptick in the second half."

Stacy Bartoletti

President and CEO
Degenkolb Engineers

Headquarters: San Francisco
Size: 165 employees in six offices on the West Coast
Specialty: Design and seismic strengthening of buildings

Among Stacy Bartoletti's biggest concerns for 2011 are maintaining a steady revenue stream in the highly specialized seismic strengthening market, and taking steps to ensure his firm can continue to hire top-notch employees amid increased competition.

Despite the economy, "we've not had tremendous difficulty with our hiring," Bartoletti says. The firm took advantage of a large talent pool during the recession and did "a fairly significant amount of hiring." But increased competition means finding the right talent could become harder into 2011. "As we see the economy starting to turn around, there will be more competition for employees," he explains.

Degenkolb will also keep a watchful eye on employee turnover, especially as markets improve.

"We've seen a very low turnover rate over the last couple of years, but there is some question as to whether we're going to have some latent turnover" as the economy turns around, Bartoletti says.

Looking ahead, he sees several opportunities for company growth, specifically in the health care sector. With deadlines looming for a decade-old California state law that requires hospitals to seismically upgrade or replace their facilities, Bartoletti expects several new regional opportunities for his firm. "We continue to see that as a strong market for us," he says.

Degenkolb is also looking to bring its seismic expertise to more "lifelines" projects in the transportation systems, power and wastewater sectors. Given these and other opportunities, "We've been able to grow quite nicely during the recession," he says.

Robert Uhler

Chairman and CEO
MWH Global

Headquarters: Broomfield, Colo.
Size: 7,000 employees on six continents
Specialties: "Wet infrastructure," including water supply, treatment and storage, water resources management, coastal restoration, and design and construction of hydropower and renewable energy facilities

Natural disasters are relatively independent of economics, says Robert Uhler. As a result, his firm fared well during the recession by addressing many of the world's "wet infrastructure" challenges caused by hurricanes, water shortages and global warming. Still, he says, the economic fallout will affect how all firms conduct business into the future.

"We are probably in the most significant business revolution of our industry," Uhler says. Productivity has increased out of necessity, and as a result, "we're finally seeing the real benefits of the productivity side of the information technology revolution." This revolution forces firms to service their clients faster with the most efficient model—often by bundling services to automate processes and make them repeatable to improve quality—sometimes at the expense of customization. It also means firms must develop an integrated, global workforce that operates in real time in multiple shifts.

"That requires companies to get standardization of processes, resources around the world and working relationships between cultures," Uhler says. "2011 is a mad dash to try to accomplish those things."

Looking ahead, the firm's backlog of projects is up 40 percent to 50 percent from mid-2010, he says. And business is expected to pick up again soon. "We will probably come out of the recessionary pressures earlier than other industries," Uhler predicts, largely because federal and state municipal clients have cash reserves for new projects. "The funds have to be spent," he says.

Michael W. Creed

President and CEO
McKim & Creed

Headquarters: Raleigh, N.C.
Size: 300 employees at 14 locations in the southeastern United States
Specialty: Engineering, sustainable design in water, energy, building and other sectors

Michael Creed keeps a close eye on McKim & Creed's municipal government clients, many of whom have "really taken it on the chin because of the collapse of housing values." As a result, tax collections suffered, putting water and wastewater projects at risk. "In some cases, the funding mechanisms for water utilities are based on demand usage and cost of water consumption," he explains. "If you're in an area with a high percentage of second homes—and 30 percent are not occupied because of foreclosure—that has a huge impact on water utility spending."

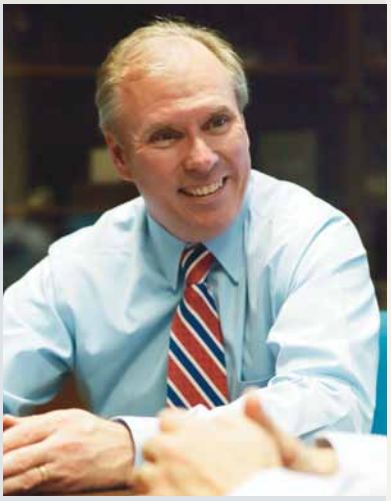
Uncertainty in the water-sector business aside, Creed sees several bright spots for 2011, including large-scale energy projects driven by climate change, impending carbon footprint issues and carbon reduction requirements. "A lot of major power plants are changing from coal-fired plants to natural gas plants. We have gotten involved in that in various ways," he says, adding, "These are multiyear investments that energy companies are compelled to do" despite the weak economy. Despite these small steps, he says, a significant recovery will take time.

"In 2013, we'll get back to some semblance of a reasonable market," he says, "but not by any stretch do I believe we'll be in the hyper-hot market that we saw four or five years ago."

George Pierson

CEO
Parsons Brinckerhoff (PB)

Headquarters: New York City
Size: 14,000 employees in 150 offices across six continents
Specialty: Transportation, power, buildings/facilities, water/wastewater, environmental and urban/community development



At Parsons Brinckerhoff, snarled transportation funding has left the firm's roadmap for the future unclear. "An overriding concern about transportation going forward is the uncertainty that we find ourselves in at the moment," says George Pierson, who added that "federal spending, as well as state and local spending, is under significant pressure."We've seen many examples of that," he said, noting the nearly 18-month delay in the transportation reauthorization bill and the October 2010 cancellation of New Jersey's Trans-Hudson Express Arc project.

But Pierson does see glimmers of hope. "Transportation infrastructure is always going to be a good market. The funding will be there in one manner or another—whether through straight funding or private mechanisms, such as new regulations to allow and encourage more PDP projects or tolling projects. The company's private-sector building business has also shown signs of movement.

"It's going to be a slow recovery," Pierson says. "I don't expect anything real significant until the second half of 2011."

David Cooper

President and CEO
WSP Flack and Kurtz

Headquarters: New York City
Size: 500 employees in seven U.S. offices
Specialty: Sustainability, Building Information Modeling, and science and technology serving the residential and commercial property sector

Industry cost pressures will be among WSP Flack and Kurtz's biggest challenges in 2011, says David Cooper.

"It's becoming more challenging to be competitive with the range of firms that are now pursuing available projects—which seem to be on a smaller scale than they have been in the past," he says.

Still, the property sector, where Flack and Kurtz does the majority of its business, has its bright spots. "Owners are looking to improve their existing building stock and their asset value, so sustainability is a big growth area," he says. "Whether it be new design, retrofits or retro-commissioning energy work, there is tremendous opportunity in that realm." Cooper also sees residential sectors coming back in cities such as San Francisco, New York and Boston, but "the commercial sector is going to be slow for quite a while," he says.

As the economy rebounds, Cooper projects that 20 percent of the firm's business in 2011 will come from outside the United States, thanks to international opportunities from parent company WSP Global.

"I'm an optimistic guy, but I think 2011 is going to prove to be another challenging year for the industry. Unemployment needs to come down and credit has to be more available," he says. "The storm clouds are dissipating, but we're not out of it yet." ■

Stacy Collett is a business writer based in Chicago.

ACEC Annual Convention and Legislative Summit

March 30–April 2, 2011
Grand Hyatt Hotel
Washington, D.C.

Opportunities & Challenges

The New Congress and the Future of the Industry

Join ACEC at its Annual Convention and Legislative Summit, March 30–April 2, where top congressional leaders will outline the dynamics of the new Congress and what it will mean for the engineering industry. Find out about new market opportunities from federal agency leaders. Gain valuable insights on future industry trends and challenges from key engineering firm CEOs. Take advantage of first-class business education sessions to help boost your firm's profitability.

GENERAL SESSION LUNCHEON BOB WOODWARD AN INSIDER'S VIEW OF THE PRESIDENCY

Award-winning author and investigative journalist Bob Woodward will provide a unique perspective on the Obama White House.

Bob Woodward

OPENING GENERAL SESSION "POLITICAL DYNAMICS OF THE NEW CONGRESS"

Congressional leaders outline the new Congress and what the latest changes mean for the future of our industry.

Speaker of the House John Boehner (invited)

Transportation and Infrastructure Chair John Mica

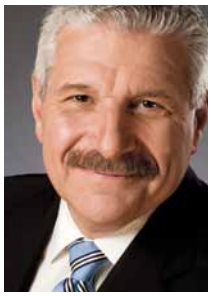
Former U.S. Rep. Tom Davis

PREMIER LEGISLATIVE SUMMIT AND FEDERAL MARKETS CONFERENCE

- Lobby New Congressional Members on Infrastructure, Water, Transportation and Other Key Business Issues
- Attend Congressional Briefings
- Meet With Key Federal Officials
- Gain Insights on the New Congress From Former U.S. Representative Tom Davis
- ACEC/PAC Fundraiser With Key Congressional Members
- Business Opportunities with the U.S. Army Corps of Engineers, NAVFAC, GSA, Energy Department, Veterans Administration, State Department and Homeland Security
- **NEW!** Federal Markets Large Firm/Small Firm Teaming Fair

INSIGHTS FROM INDUSTRY LEADERS

- Keynote by AECOM CEO John Dionisio on "Vision for 2020"
- General Session CEO Panel on "Industry Trends and Challenges" with Robert Gomes, Stantec, Inc.; Ann E. Massey, MACTEC, Inc.; and Paul A. Yarossi, HNTB Corporation
- CEO Roundtables
- 13 Seminars to Boost Profitability
- Special Briefing on New Infrastructure Sustainability Rating System



John Dionisio
CEO, AECOM

Robert Gomes
CEO, Stantec

Ann E. Massey
CEO, MACTEC

Paul Yarossi
President, HNTB

RYAN McGINNIS/GETTY IMAGES

ENGINEERING EXCELLENCE AWARDS GALA EMMY AWARD-WINNING HOST

Known as the "Academy Awards of the engineering industry," this annual black-tie reception, dinner and awards program celebrates the year's most outstanding engineering achievements.

Ross Shafer

RECEPTION AND DINNER THE CAPITOL STEPS

The Capitol Steps return to the Annual Convention to perform their all-new show—"Politics as Unusual!"—a satirical look at today's political scene.

CONVENTION INFORMATION

FULL CONVENTION	REGISTRATION FEES
Member	$1,075
2nd + Member, same firm	$950
Non-Member	$1,450
Spouse/Guest Fee	$385

HOTEL INFORMATION

Convention activities will be held at the Grand Hyatt Washington, located at 1000 H St., NW, between the White House and Capitol Hill and easily accessible by Metro.

To make your hotel reservation online, visit www.acec.org and click on 'hotel,' or call toll-free: **(888) 421-1442** and reference **ACEC Annual Convention**.

To register, or for more Convention information, e-mail meetings@acec.org or visit www.acec.org.

Guest Column

From the ACEC Retirement Trust

Retirement Income: The Next Step in the Evolution Of Defined Contribution Plans

SETH JOEL/GETTY IMAGES

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Defined contribution (DC) plans, such as 401(k) plans, are company-sponsored retirement plans in which an investment account is set up for employees and a certain amount or percentage of money is set aside each year by the company for the benefit of employees. These plans are a popular vehicle used by employers to help employees save for retirement.

Recent developments, such as auto-enrollment, contribution escalation and qualified default investment alternatives (QDIAs), have enhanced the value of DC plans, creating a better opportunity for participants to achieve a secure retirement. Companies have the option to automatically enroll employees in the company 401(k) plan, investing the funds in QDIAs (investments deemed to fulfill the company's fiduciary duty to its employees).

Likewise, an employee participating in a target-date fund can enjoy the benefits of a managed asset allocation strategy; the portfolio's risk exposure is balanced with the participant's planned investment time horizon in mind. This is an active approach that few participants take on their own, and the funds have been noticeably popular.

All these efforts focus on helping participants accumulate and manage their assets. However, the second half of the story is still missing: When participants retire, they face the challenge of making their accumulated savings last through their retirement years. As the current market makes clear, such self-management is fraught with risk.

"Many participants lack the tools needed to successfully convert their plan assets into a steady income stream that will last through the retirement years, especially a retirement that will last longer than many anticipate," says George Castineiras, senior vice president of client relations and business development at Prudential Retirement. Upon leaving the workplace, the vast majority of participants elect to take their balances as lump sum payments, leaving them on their own to redeploy the cash. However, retirees' need for guaranteed withdrawals will become apparent and lead to increasing demand for income options.

This gap in the retirement planning process between asset accumulation and retirement income is becoming even more critical as the baby boom generation begins to leave the workforce. Industry thought leaders believe DC plans need to head in a new direction toward lifetime income solutions.

In a recent report titled *Redefining Defined Contribution: The Transformation From an Asset Accumulation Business to a Broad Platform for Lifetime Retirement Savings and Security* (Financial Services Practice, June 2008), McKinsey & Company concluded that by 2015 the DC market will evolve from "an asset accumulation and record-keeping business to a broad platform for providing lifetime retirement savings and security."

The study predicts a key role for lifetime income solutions in that evolution, calling them the next "battleground" in DC plans: "With the first of the boomers starting to retire and beginning to withdraw what will amount to trillions of dollars out of accumulation-oriented DC accounts, today's innovators are shifting toward developing next-generation income or payout solutions. They are introducing more complex products, including annuities covering a wide range of retirement risks, income management funds, hybrid annuity/income payout funds, and even DC versions of longevity insurance."

"Turning the defined contribution plan into a true retirement plan involves helping people develop strategies that minimize

STEVEN PUETZER/GETTY IMAGES

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Vaughn Anderson, chairman, ACEC Retirement Trust

their risk of running out of income," says Vaughn Anderson, chairman of the ACEC Retirement Trust. In an effort to help participants minimize this risk, the ACEC Retirement Trust has just added Prudential's IncomeFlex® Target℠.

IncomeFlex Target combines guaranteed lifetime income streams with flexible withdrawal schedules. Solutions such as IncomeFlex Target avoid many of the problems associated with other lifetime income options, such as immediate annuities. With IncomeFlex Target, participants receive downside income protection while being able to benefit from the investment markets' potential upswings by locking in the fund's highest market value reached on the date of an investor's birthday. After retirement, participants can withdraw 5 percent of their final income base every year for life,* even if investment performance causes their portfolio's market value to drop, or if their guaranteed withdrawals deplete the income base. Participants retain the flexibility to control their fund assets before and during retirement. An elective spousal option ensures lifetime income for a spouse, as well.**

Joining the ACEC Retirement Trust gives you access to great benefits and quality services that are usually reserved for only the largest of companies, including financial savings, fiduciary support, a broad array of investments, access to financial advisers and state-of-the-art recordkeeping. To learn more about the ACEC Retirement Trust, contact Nancy Barrette, Managing Director-Investments, Wells Fargo Advisors, LLC, at 800-521-9463 or via e-mail at nancy.barrette@wellsfargoadvisors.com.

Guarantees are based on the claims-paying ability of the insurance company and are subject to certain limitations, terms and conditions. To maintain the IncomeFlex benefit, you must invest in the Prudential IncomeFlex Fund. Like all variable investments, these funds may lose value. Withdrawals in excess of the guaranteed lifetime income amount will reduce future guaranteed withdrawals proportionately. There is an additional fee of about 1% for IncomeFlex.

Prudential IncomeFlex Target Funds are separate accounts available under group variable annuity contracts issued by Prudential Retirement Insurance and Annuity Company PRIAC (CA COA # 08003.), Hartford, Conn. PRIAC does not provide any guarantee of the investment performance or return of contributions to those separate accounts. PRIAC's guarantee of certain withdrawals is supported by PRIAC's general account and is contingent on its claims-paying ability. You should consider the objectives, risks, charges, and expenses of the funds and guarantee features. Before electing the spousal benefit on behalf of any beneficiary not recognized as your spouse under federal law, be aware that provisions of the plan or Internal Revenue Code might prevent, limit or otherwise affect the ability of the beneficiary to receive the spousal benefit. For this and other information, please call 1-888-PRU-FLEX (778-3539) for a copy of the Prudential IncomeFlex Target **Important Considerations** prior to investing. Product availability and terms may vary by jurisdiction and product version. Subject to regulatory approvals. Annuity contracts contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Contract form #GA-2020-TGWB-0805 or state variations thereof.

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Wells Fargo Advisors is a separate entity from, and is not affiliated with, Prudential Retirement and/or ACEC Retirement Trust. Compliance Code: 0194372-00001-01.

* If participants begin withdrawals from age 55 through age 64, their withdrawals will be based on a lower percentage of their income base. If participants begin withdrawals after age 70, their withdrawals will be based on a higher percentage of their income base.

**Before electing the Spousal Benefit on behalf of any beneficiary not recognized as your spouse under federal law, be aware that provisions of the Plan or Internal Revenue Code might prevent, limit or otherwise affect the ability of the beneficiary to receive the Spousal Benefit.

New Market for Technical Experts: Engineering Expert Witness

In the current economy, most firms are seeking new or enhanced lines of business to build revenue. One option for engineers is to serve as an engineering expert witness.

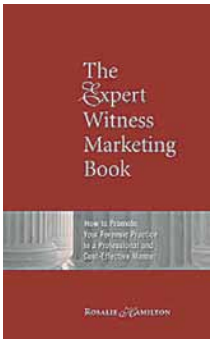
Engineers are often qualified to serve as expert witnesses in legal proceedings, but only the court-savvy, prepared and prudent engineer can expect to receive such potentially lucrative assignments.

What does it mean to be an "expert witness" in lawsuits involving the standard of care for civil engineering projects? An effective expert witness must:

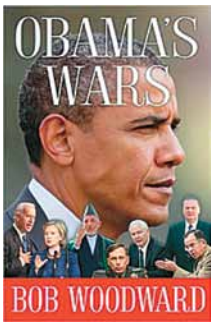
- Demonstrate knowledge of the technical subject matter;
- Have an effective and believable presentation style;
- Understand the standard of care in each particular case;
- Know how the rules of evidence can affect expert testimony; and
- Be prepared to avoid assumptions and rebut other experts.

Interested in honing or improving your courtroom skills? ACEC will host a one-and-a-half-hour webinar, *Recommended Practices for Engineering Expert Witnesses*, featuring Gary S. Brierley, president of Brierley Associates. Topics include ethical considerations, qualified requirements, work products, objectivity vs. advocacy, how to prepare an expert report and how to prepare for a deposition, with an emphasis on report preparation and participation in depositions.

Other ACEC resources for becoming an engineering expert witness include *The Expert Witness Marketing Book: How to Promote Your Forensic Practice in a Professional and Cost-Effective Manner*, available through the ACEC Bookstore at www.acec.org/publications. Also, a two-day course entitled *Applying Expertise as an Engineering Expert Witness* will be held June 23–24 in San Diego. Visit the ACEC Education website for more details at www.acec.org/education/index.cfm.



ACEC Bookstore: Your No. 1 Source for Business Resources



Finding the right solutions for business problems can be difficult and time-consuming. ACEC offers a broad variety of resources to guide you in running your business.

The ACEC Bookstore carries more than 1,000 products in key management categories, such as Business Management, Technical, Leadership, Contracts/Risk Management, Project Management, Project Delivery and Leadership. A merchandise section featuring creative engineering-themed gifts is also available.

If you're attending the 2011 ACEC Annual Convention and Legislative Summit in Washington, D.C., stop by the onsite ACEC Bookstore, where free shipping is available on all purchases. In addition, Bob Woodward, one of America's foremost investigative journalists, will sign copies of his books immediately following his luncheon speech Friday, April 1.

If you can't make the Convention, please contact Mary Jaffe at mjaffe@acec.org or Jackie Jablonka at jjablonka@acec.org to order a signed copy. Or browse the Bookstore website to find out more at www.acec.org/publications.

Effective Firm Leadership In the Modern World

In today's fast-paced—and often uncertain—business environment, leading your company to long-term success is an arduous responsibility.

The ACEC Senior Executives Institute (SEI) is designed specifically to help leaders develop necessary skills and business competencies.

SEI is ACEC's popular advanced management, leadership and public policy training program for current and emerging A/E leaders. The program provides a compelling and challenging curriculum through unparalleled learning opportunities to help A/E executives prosper in the 21st century.

The SEI program is not for the novice, but instead is a highly interactive, exploratory and challenging program tailored to the complex world in which design professionals practice. In little more than 18 months, executive enrollees increase their personal knowledge, skills and business acumen. They emerge as more effective leaders who can produce new and compelling visions, goals and strategies for their companies.

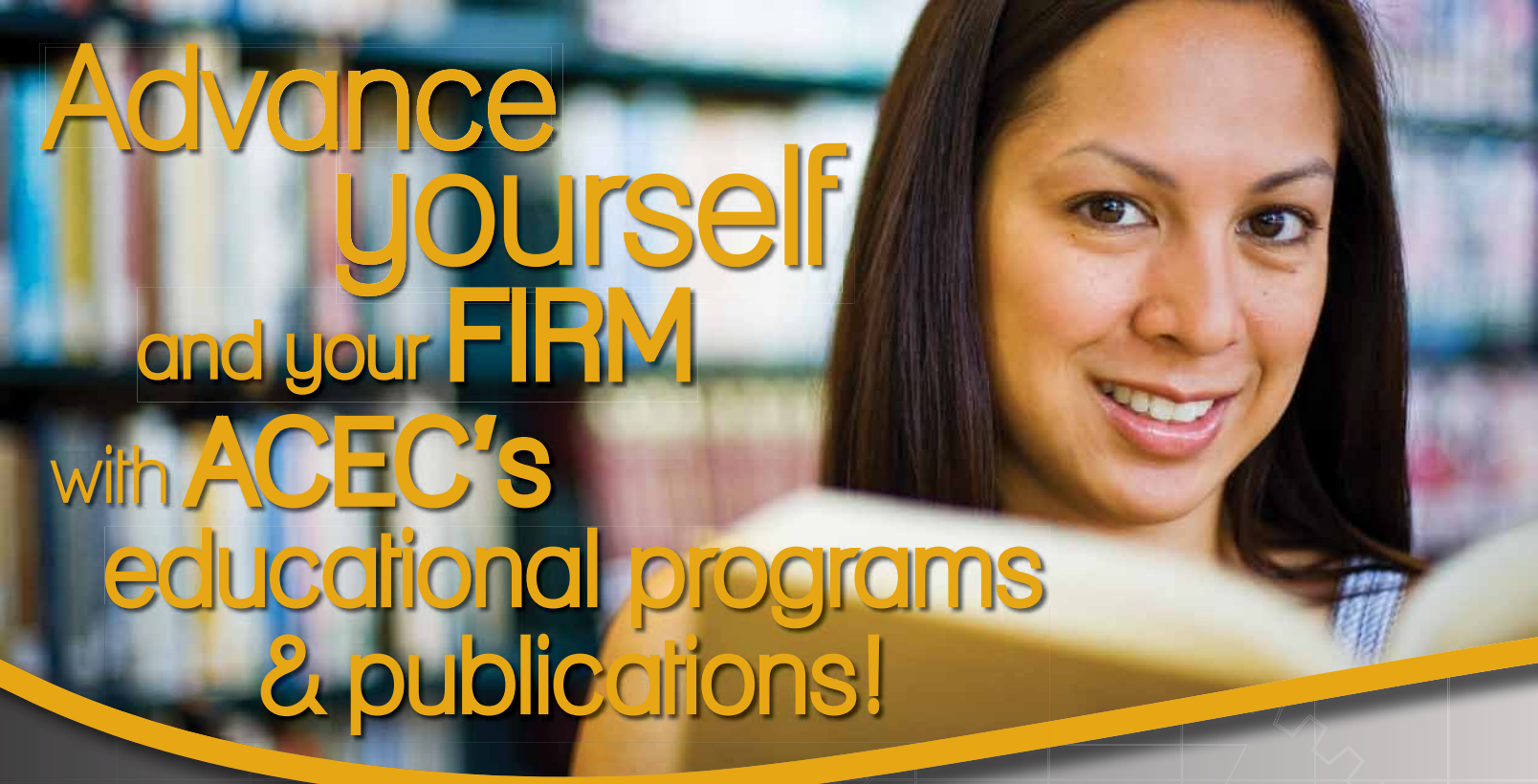
Each SEI class participates in five five-day sessions over nearly two years covering: *Your Vision and the World; Personal Mastery; Situational Leadership, Strategy and Systems Thinking; Organizational Leadership Issues;* and *Putting It All Together*.

For more information about SEI, including dates and locations of each of the five sessions, visit www.acec.org/education/sei, contact Deirdre McKenna at dmckenna@acec.org, or call 202-347-7474.

The ACEC Institute for Business Management provides comprehensive and accessible business management education for engineering company principals and their staffs.

Visit ACEC's online educational events calendar at **www.acec.org/calendar/index.cfm** or bookstore at **www.acec.org/publications**, or call 202-347-7474, ext. 338, for further information.

Advance yourself and your FIRM with ACEC's educational programs & publications!



UPCOMING ACEC COURSES:

The Business of Design Consulting
May 11-14 – Las Vegas, NV

Ten Top Legal Issues Facing Engineers
May 12-13 – Philadelphia, PA

Applying Expertise as an Engineering Expert Witness
June 23-24 – San Diego, CA

ACEC BOOKSTORE
Your best read on the business of engineering

For more information on these and other upcoming seminars and webinars, go to **www.acec.org/education** and to check out products at the ACEC Bookstore, go to **www.acec.org/publications**

Members in the News

On The Move

Nitsch Engineering appointed **Lisa Brothers** president and CEO. Brothers succeeds **Judith Nitsch**, who will serve as founding principal and chairman of the board. Brothers is also president of ACEC/Massachusetts and a 2004 graduate of ACEC's Senior Executives Institute (SEI).

Parsons announced the following appointments: **Ross Ridenoure** joined the firm as vice president of nuclear energy initiatives; **Ray A. Fulcher** was named vice president of mergers and acquisitions; **William Crosbie**, a former COO of Amtrak, is vice president of railroad programs and deputy sector manager in the Rail and Transit Division; **Brian C. Kaub** is vice president of market development for its Transportation Group; Vice President **Thomas J. Rose** heads up Parsons' new Defense Sector; **Julie Haines** joined Parsons' Infrastructure & Technology group as vice president and client service leader of its International Development Practice.

Michael T. McNamara was named president of **Gannett Fleming Transit & Rail Systems**, a division of Gannett Fleming specializing in transit and railroad track, signal, communication and electric traction design. **William H. Pearce** has joined Gannett Fleming as vice president of federal programs based in the firm's Fairfax, Va., office. Pearce is a retired colonel and former commander and district engineer of the New York District of the U.S. Army Corps of Engineers.

FRANK MONKIEWICZ PHOTOGRAPHY

Lisa Brothers

Ross Ridenoure

Ray A. Fulcher

William Crosbie

Brian C. Kaub

Thomas J. Rose

Awards

Four ACEC members were recently named among industry publication *ENR*'s Top 25 Newsmakers.

The four newsmakers are: **Dennis Kamber**, senior vice president, **Arcadis**; **H. Dean McClure**, CEO, **TTL, Inc.**; **Dennis C.K. Poon**, structural engineer and managing principal, **Thornton Tomasetti**; and **Dwayne Smith**, senior engineer, **URS Corp.**

Kamber, who directs water resources practices for Arcadis, was honored for his work on a fully funded, $14.6 billion risk-reduction construction effort in Louisiana in the wake of Hurricane Katrina.

McClure, whose Alabama-based firm specializes in geotechnical engineering, was recognized for his firm's charitable work on an incentive-based reading program for elementary-age students.

Poon, a managing principal with Thornton who overcame incredible odds as an undocumented college student from Hong Kong before joining the firm in 1977, was recognized for his world-renowned expertise in the field of super-tower design code.

Smith, a geotechnical program manager on a levee enlargement project in New Orleans, was honored for his work on a massive $112.9 million, 7.5-mile levee project. Organizers say the earthen levee, which employs a system of Smith's own design, could shave as much as 10 years off the construction process.

Dennis Kamber

Dennis C.K. Poon

H. Dean McClure

KCI Technologies, Inc., promoted **Christine Y. Koski** to vice president and chief financial officer. Koski previously served as the firm's controller.

Julie Haines

Michael T. McNamara

William H. Pearce

Christine Y. Koski

Three ACEC Member Firm CEOs were named among the National Safety Council's 2011 CEOs Who "Get It." The award recognizes leaders of national and international organizations with a demonstrated commitment to workplace safety.

Winners included **Lee A. McIntire**, chairman and CEO of **CH2M HILL**; **Charles L. Harrington**, chairman and CEO of **Parsons Corp.**; and **Ann E. Massey**, president and CEO of **MACTEC, Inc.**

"Leaders incorporate safety management systems into their organizations, not only because it is the right thing to do, but also because safety is valuable to business performance," says National Safety Council President and CEO Janet Froetscher.

Welcome New Member Firms

ACEC/Arizona
Professional Consulting Engineers, Inc., Phoenix

ACEC/California
DC Inspections, Inc., Bakersfield
VACC, Inc., dba Vibro-Acoustic Consultants, San Francisco

ACEC/Colorado
JRS Engineering Consultant, LLC, Centennial
Kerber Creek Consulting, LLC, Highlands Ranch
Vanderpool Pipeline Engineers, Inc., Littleton

ACEC/Florida
Cal-Tech Testing, Inc., Lake City
Harris Civil Engineers, LLC, Orlando
Heidt Design, LLC, Tampa
Madrid Engineering Group, Inc., Bartow
Peter C. Hallock, P.E., Jacksonville
Vertical V - Southwest, Hollywood
Yallaly Company, St. Cloud

ACEC/Illinois
Global Engineering & Technology, LLC, Bloomington

ACEC/Indiana
DB Engineering, LLC, Indianapolis

ACEC/Louisiana
Cardno TBE, Baton Rouge

ACEC/Maine
CMA Engineers, Inc., Kennebunk

ACEC/Massachusetts
Nobis Engineering, Inc., Lowell
Steere Engineering, Inc., Lincoln, R.I.

ACEC/Metropolitan Washington
Setty & Associates International, PLLC, Washington, D.C.

ACEC/Missouri
Fire Protection Systems Corrosion Management, Inc., St. Louis
Heitmann & Associates, Inc., Chesterfield

ACEC/Nebraska
e.Construct.USA, LLC, Omaha
Specialized Engineering Solutions, Omaha

ACEC/New Hampshire
Appledore Marine Engineering, Inc., Portsmouth

ACEC/New Mexico
D. Pennington & Associates, Inc., Albuquerque

ACEC/North Carolina
Research Engineers, Inc., Raleigh

ACEC/Oklahoma
Hydration Engineering, PLLC, Bartlesville
Katherine S. Berkenbile, P.E., Tulsa

ACEC/Oregon
3J Consulting, Inc., Tualatin
Civil Solutions, LLC, Brightwood
Keller Associates, Inc., Salem
Northwest Engineering Service, Inc., Tigard
Reyes Engineering, Happy Valley

ACEC/South Carolina
Overland Engineering, LLC, dba BSI Engineering Services, Windsor

ACEC/Tennessee
Civil Infrastructure Associates, LLC, Murfreesboro

ACEC/Washington
Evergreen Engineers Northwest, Inc., Seattle
MLA Engineering, PLLC, Seattle

ACEC/Wisconsin
RH Batterman & Company, Inc., Beloit
Van Henkelum Lynch & Associates, LLC, Big Bend

Texas/CEC
3U Technologies, LLC, Conroe
Benchmark Engineering Corp., Houston
Energy Engineering Associates, Inc., Austin
Estes, McClure & Associates, Inc., Tyler
M.W. Cude Engineers, LLC, San Antonio
Oil & Gas Solutions, Houston
System Engineering and Laboratories, Tyler

Calendar of Events

MARCH

1-27	Green Buildings and Preparing for LEED Green Associate Exam (online seminar)
9-10	Transportation Improvement Conference (ACEC/Wisconsin and Wisconsin DOT), Milwaukee
16	DOE Energy Efficiency Block Grant Funding: Market Opportunities in a $3 Billion Program (online seminar)
30-April 2	**ACEC Annual Convention & Legislative Summit, Washington, D.C.**

APRIL

4-May 29	Green Buildings and Preparing for LEED Green Associate Exam (online seminar)
6	Sustainable BIM (online seminar)
13	Recommended Practices for Engineering Expert Witnesses (online seminar)
20	How to Use EJCDC Design/Build Documents Effectively and Successfully (online seminar)
27	Audit Defense Program and Cost Certification Requirements (online seminar)

MAY

4	Reigniting Your Ownership Transition Plans (online seminar)
11-14	The Business of Design Consulting, Las Vegas
12	2010 A/E/C Court Cases: Lessons Learned (online seminar)
12-13	Ten Top Legal Issues Facing Engineers, Philadelphia

To sign up for ACEC online seminars, go to **www.acec.org/education**.

Additional information on all ACEC activities is available at www.acec.org.

Mergers and Acquisitions

Member Firm M&A Activity Reshapes Industry

BY MICK MORRISSEY

Mergers and acquisitions (M&A) activity in the consulting engineering industry got off to a fast start in 2011, providing an early indication of what's ahead this year. We tracked the announcement of 35 new deals through the end of January—an increase of some 36 percent over the same period last year. This early pace is close to the record rate of consolidation seen in the industry in the first half of 2008, an indication that buyer and seller expectations are aligning amid the economic recovery.

ACEC Member Firm deals that will help reshape the industry include:

Pennoni Associates (Philadelphia) acquired **Patton Harris Rust & Associates (PHR+A) (Chantilly, Va.)**. The deal adds PHR+A's 175 staff members and seven offices to Pennoni and allows it to enter the Maryland and Virginia markets. This was the second deal in as many months for Pennoni, which acquired **DC Group (Milton, De.)** in December 2010. The combined transactions significantly advance Pennoni's mid-Atlantic position.

Hatch Mott MacDonald (HMM) (Millburn, N.J.) acquired **Richard P. Arber Associates (Lakewood, Colo.)**. The acquisition strengthens HMM's national water, wastewater and water reuse practice, particularly in the western United States, where water use and water rights issues are tremendously important. In early January, HMM also announced its acquisition of transportation engineering firm **Gibson Engineers (Fuquay-Varina, N.C.)**, expanding its footprint to the Tar Heel State.

In another example, **HDR, Inc. (Omaha, Neb.)** acquired **Hydro-Qual, Inc. (Mahwah, N.J.)**, a firm that specializes in water resource management. The acquisition allows HDR to increase its global water-quality expertise and expand its industrial treatment capabilities.

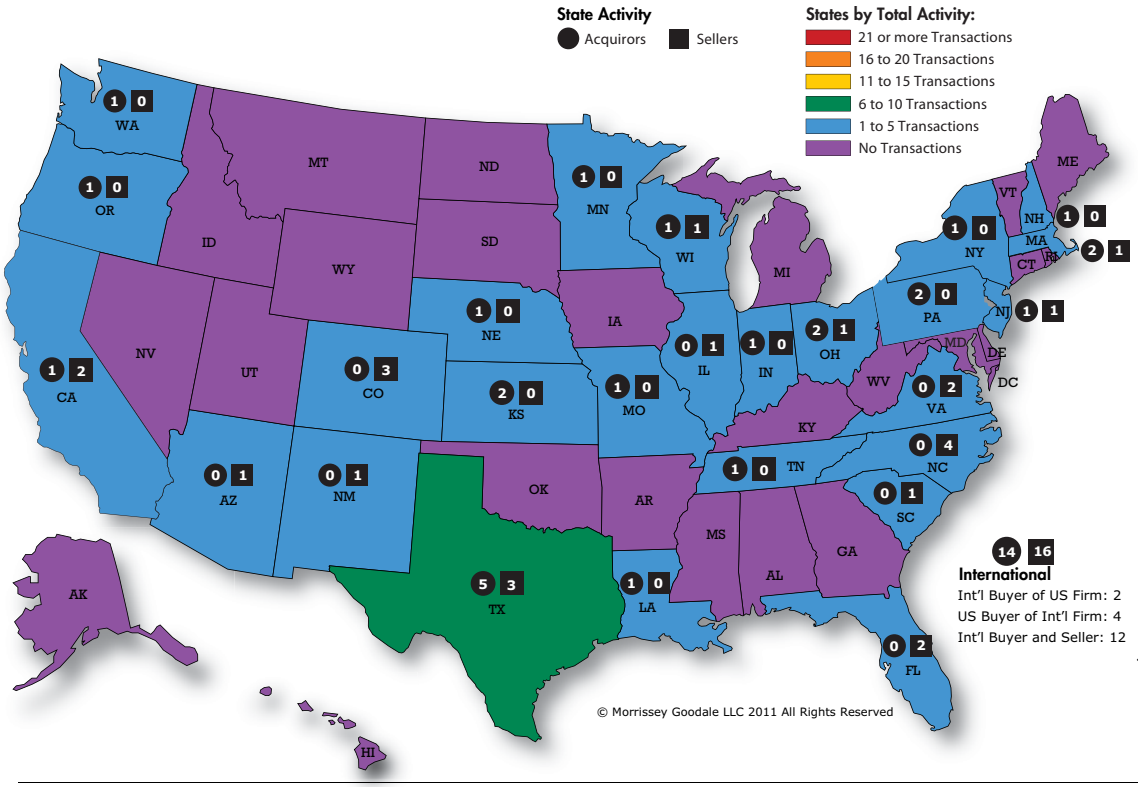
On the East Coast, ACEC Member Firms **Tighe & Bond (Westfield, Mass.)** and **Appledore Engineering (Portsmouth, N.H.)** joined up, pushing Tighe & Bond into the New Hampshire and Maine markets, while allowing Appledore to expand services for existing clients. Appledore will conduct business as Appledore Engineering, a division of Tighe & Bond.

In the Midwest, **Sam Schwartz Engineering (SSE) (New York)** acquired **Metro Transportation Group, Inc. (Chicago)**, a traffic engineering, planning, design and signal systems firm, expanding SSE's Midwest footprint.

Also affecting the Midwest market, Member Firms **Mead & Hunt, Inc. (Madison, Wis.)** and **RPM Engineers (Lexington, S.C.)** merged; the companies unite under the Mead & Hunt banner, creating a firm of more than 500 employees in 13 states.

These deals are great examples of how ACEC Member Firms can use M&As to enter new markets, expand or strengthen particular services or capabilities, and add to or reinforce their position in preferred industries. We expect to see the latter driving many deals this year in the areas of water and wastewater, energy, higher education, and science and technology.

2011 Merger and Acquisition Activity Through 02/01/11



To view a live version of the M&A map and see buyers and sellers in each state, go to **www.morrisseygoodale.com**.

Mick Morrissey is managing principal of Morrissey Goodale, LLC, a strategy, M&A and human capital solutions firm serving the A/E/C industry. He can be reached at mmorrissey@morrisseygoodale.com.

Ten Top Legal Issues Facing Engineers

Protect Your Firm!

- Recognize Non-Standard Contracts
- Understand Public/Private Partnerships
- Hear Details on Changing Healthcare Requirements
- Evaluate Green Liability Insurance: How Much Is Enough?
- Be Aware of Social Media, Privacy, and Discrimination Issues

May 12-13, 2011

Philadelphia, PA

ACEC
American Council of Engineering Companies
100 Years of Excellence

NCEES
REGISTERED PROVIDER
RCEP
REGISTERED CONTINUING EDUCATION PROGRAM

ACEC
LIFE/HEALTH TRUST

92%

of engineering firms in the ACEC Life/Health Trust renew their policies — *year after year.*

When the ACEC Life/Health Trust aligned with UnitedHealthcare, a long-term relationship was forged. Each year, an impressive 92% of engineering firms who choose the ACEC Life/Health Trust remain customers — one of the highest retention rates in the industry.[1] Here are just a few reasons why:

- **Preferred pricing:** As an ACEC member, your firm may be eligible for favorable rates.
- **Satisfied employees:** Chances are, employees' doctors are in UnitedHealthcare's provider network — 98% of the U.S. population has local access.[2]
- **Easier administration through one-stop shopping:** No need to look further than the ACEC Life/Health Trust for medical, dental, vision, life and disability.
- **Keep your current agent or broker if you prefer:** Our Designated Installation Team will work with the agent of your choice to make the move to the ACEC Life/Health Trust fast and painless.

Learn why so many ACEC member firms have made the decision to join the ACEC Life/Health Trust and *stay* with the ACEC Life/Health Trust.

Insured and serviced by:

UnitedHealthcare®

Call 1-866-469-9226 or visit uhctogether.com/acec for more information.

The American Council of Engineering Companies (ACEC), the ACEC Life/Health Insurance Trust and Unitedhealthcare Insurance Company are three separate legal operating entities and, as such, the organizations are governed and function independently. UnitedHealthcare's services are provided with the authorization of the ACEC Life/Health Trust. Questions related to health benefits offered through the Life/Health Trust should be directed to 1-800-573-0415.

[1]Renewal rate based on average year-over-year ACEC Life/Health Trust persistency metrics.
[2]Network statistic based on GeoAccess information and UnitedHealthcare standard network access mileage criteria, 2010.