

MANUFACTURING MATTERS

MACNY Announces Newest Offering: Manufacturers Wall of Fame Conversation Series



The Manufacturers Association

WALL OF FAME CONVERSATION SERIES

Here at MACNY, we are privileged and honored to be able to work so closely with manufacturing leaders whom through their lifetime achievements and commitments to manufacturing have helped pave the thriving sector and close knit manufacturing community we have here in Central and Upstate New York. Each year, we collectively recognize and honor those distinguished individuals as Inductees to our Manufacturers Wall of Fame at our Annual Dinner.

The Manufacturers Wall of Fame Conversation Series will provide a unique and exciting opportunity where MACNY members will have a chance for an intimate and informal Q&A dialogue with former Wall of Fame Inductees and pioneers in manufacturing leadership and excellence. Host David Freund, Chief Leadership Officer at MACNY and Manufacturers Wall of Fame Inductee himself, will bring both open dialogue and his personal experience in manufacturing challenges and successes as we enjoy each session with a special Wall of Fame Inductee guest as they walk us through their personal journey of their career.

The goal of the Conversation Series is to blend manufacturing and leadership experience, stories, lessons, advice, and personality in order to impart a broader understanding of the guest's achievements, and how he/she combined ideas, experience, and issues to achieve such excellence in manufacturing leadership. Because many of our thousands of MACNY members in our membership are driven and hardworking people seeking their own successful careers in manufacturing business and leadership, the conversations are intended to inspire as well as inform.

Held every other month at the Century Club beginning in February, and capped at a small group of attendees, the cocktails and light hors d'oeuvre atmosphere will allow for an intimate, informative, and inspiring dialogue with some of our region's finest business leaders. Attendees will have the opportunity to ask questions during the second half of each session, allowing for an open dialogue conversation with our guest and other attendees.

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Maximize Your Membership

Do you want to...

- learn more about MACNY's services and how to better utilize your membership?
- meet our staff and, more importantly, have an opportunity to meet other MACNY members and learn more about what they do in our community?

We are excited to be holding Maximize Your Membership sessions on the second Thursday of each month from 9 AM - 10 AM.
Mark your calendars for our next three meetings...

February 9 March 9 April 13

Please contact Cindy Nave at cnave@macny.org or 315-474-4201 ext. 11 to sign up for any of our upcoming sessions!

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MACNY - The Manufacturers Association



Randy Wolken
President & CEO

Much Work To Be Done in 2017

With a new President and Administration, a new Congress, and the start of the new Legislation Session in Albany; opportunities abound to strengthen the manufacturing sector and job growth in our community and our state. The campaigns that just concluded were at times bitter and acrimonious. Now is the time to put campaigning aside and work to strengthen our economic growth and invest in our vital manufacturing and technology sectors. Here at MACNY, we see plenty of opportunity to do that.

In Washington, D.C., we see the opportunity to create a more favorable climate to grow manufacturing operations and investments in the United States. Better and enforced trade agreements can bring new jobs and added investment in existing manufacturers and technology companies. Reasonable regulations and the reduction of harmful ones can spur growth in all sectors of our economy. A continued and heightened focus on growing high-tech jobs here in our country can pay important dividends. The United States has become the best developed country in the world to make products – it's time that our political leaders assist this growth through smart policies in the areas of tax reform, regulatory reform, and a focus on fair trade. We look forward to working with

our federal legislative representatives and, when possible, the new administration, in growing the opportunity for the manufacturing sector to be more prosperous.

In Albany, we need to focus more intently on growing our wealth creation sectors. For too long, we have not fully committed to manufacturing and high-tech investment and job growth. We need additional tax relief for small and medium manufacturers who cannot take advantage of the corporate tax cut that is in effect for corporate manufacturers. We need to focus and make available a better program and approach for existing manufacturers to reinvest in their operations in New York State. We must continue to invest in the workforce of today and tomorrow – to include expanding the highly successful Manufacturers Apprenticeship program that has been successfully launched by MACNY this year with the help of the Independent Democratic Caucus (IDC) and other legislative allies. And, we need to ensure we evaluate all new legislation based on its ability to make New York State more competitive for job growth and business investment.

As you can see, there is much work to be done this year. I remain hopeful that we can, as a nation and state, focus on growing manufacturing and technology investments and jobs. And, with the help of our over 300 MACNY member companies and our nearly 2,000 Manufactures Alliance member companies, we can make decided progress in 2017.

Business Activity Continued to Grow Modestly in New York State

Business activity continued to grow modestly in New York State, according to firms responding to the January 2017 Empire State Manufacturing Survey. The headline general business conditions index was little changed at 6.5. The new orders index fell to 3.1, pointing to a small increase in orders, and the shipments index held steady at 7.3. Inventories edged

higher for the first time in more than a year. Labor market conditions remained weak, though less so than in recent months, with manufacturers reporting a slight decline in employment and somewhat shorter workweeks. Both input prices and selling prices increased more rapidly this month, with the prices paid index climbing to its highest level in nearly three years, and the

prices received index also jumping to a multiyear high. Indexes for the six-month outlook continued to convey a high degree of optimism about future conditions, with the index for future business conditions matching last month's nearly five-year high.

For more information visit www.newyorkfed.org.



Karyn Burns

VP, Communications & Government Relations

2017 State of the State: One Half of the Equation

This year was a first for me, amongst hundreds of others on January 11th: instead of heading to Albany to listen to the Governor deliver his State of the State address, he in fact, came to us.

While I am more of a traditionalist and always rather enjoyed the State of the State address to be located in our State capital, I will admit that after the event, there were some benefits to the State of the State tour and presentation here in Central New York. For one, it allowed the ability to hear Cuomo's plan for regional legislative and economic development support, rather than having to focus entirely on his efforts that would impact the State as a whole. For example, he touched upon a few regional examples of economic development successes such as the revitalization of the Hotel Syracuse, and the Lakeview Amphitheater. He also touched on some local business wins, such as INFICON's recent expansion.

With the last few years of intense attention on economic development in New York State, this year's State of the State served no different. Governor Cuomo talked about Saab Sensis and their new drone facility that has committed to a location here in Central New York and the addition of 700+ jobs, very exciting for our region. He emphasized his commitment to purchasing products made in America, of which you obviously know my passion and intense support in this endeavor. He also talked about a \$45M capital improvement commitment to the Syracuse Airport, something I admittedly clapped loudly for. Overall, his emphasis and enthusiasm for the economic development projects he is committing to the region was widely applauded and supported by all those in the room,

and for good reason: these are all projects we can see improvement on, and watch it all unfold as it becomes a part of our region that of which we are all very proud of.

Once I left the event I started to process the reality of all the exciting opportunities for economic development growth that our region is now being showered with, but also realized that only half the equation was talked about. Here at MACNY, we have always maintained that in order for Government to serve any achievable results in their attempts to enact policy and projects that will help in shaping a better business climate, it needs to be an equation: capital investment PLUS lowering business taxes and burdens will EQUAL a better business climate. While these are all very exciting and huge opportunities for growth in our region, the State of the State address was missing some very critical components to help enable even more wins and successes for the region: cost cutting policies and tax breaks to help in creating a better business climate. Yes, the airport is an amazing opportunity, and will be such an improvement and success for our region. So to that, how can we use this capital investment to then help in diversifying airline offerings and destinations? With the Made in America act and commitment, how can we take this one step further for not only our Nation but our State, and emphasize not only Made in America commitments, but Made in New York State? As for the amazing Saab Sensis announcement, shortly after settling here, they will be immersed in the same stifling highly taxed and over regulated environment the rest of us, who are already here, are in. How can we make improvements in these areas, all while assisting them in establishing their roots here in this new cluster?

The latter parts of each of these equations I am referencing are the components we have and will continue to advocate for in our 2017 advocacy efforts: creating a better business climate to not only attract new business, but to keep those pre-existing businesses operating and successful. This part is done through lowering of taxes, lifting onerous and burdensome regulations, and creating economic development programs that actually award the hard working businesses that remain here and support good-paying jobs, despite all the challenges and high costs they endure by New York State. Half the equation is done, by way of Governor Cuomo's announcement of investment, now the tough part is upon us: supporting and passing policies that will enhance these capital investments and assure both them and their neighboring longtime New York businesses success. I hope you will join us in our efforts this legislative session in completing this equation.



Peter A. Jones

Bond, Schoeneck and King, PLLC

New York's Salary Threshold for the Executive and Administrative Exemptions Increases Effective for 2017

Keeping up with the requirements for the exemptions from the overtime for white collar workers in recent months has proven very challenging. The Federal Department of Labor (DOL) proposed, and then finalized, increases to the salary threshold for the executive, administrative, and professional exemptions, increasing the salary threshold by more than double the current amount to qualify for the white collar exemptions. Much attention was given, and appropriately so, to these new rules with an effective date of December 1, 2016, as many employers had to analyze the challenging issues associated with increasing, or electing not to increase, the salary amount for their exempt employees. Against this backdrop, little attention was paid to the New York DOL's proposed rules which included increasing the salary thresholds by a lesser amount, for two of the three exempt classifications – executive and administrative employees.

Then, the Thanksgiving week bombshell dropped – a District Court in Texas enjoined Federal DOL's rule and sent employers scurrying to figure out what the preliminary injunction meant and what to do about it. Against this backdrop, and with little fanfare, New York DOL published its final rule on December 28, increasing the salary threshold applicable to exempt executive and administrative employees in New York State, effective December 31, 2016. Employers have been caught in their compliance nightmare, so it is worth assessing exactly where we are right now.

New York Exempt Status Changes

Under New York's Labor Law, the salary threshold for executive and administrative employees (New York law does not set a salary threshold for professional employees and thus the current federal salary of \$455 still applies) was \$675 per week – 75 times the current minimum wage of \$9.00 per hour. With the minimum wage set to gradually increase in coming years (at different rates depending on geography), the New York State DOL has implemented corresponding increases in the applicable salary threshold. The first of these increases took effect on December 31, 2016.

Specifically, the increases to New York's salary threshold for executive and administrative employees are as follows:

Employers Outside of New York City, Nassau, Suffolk, and Westchester Counties:

- \$727.50 per week on and after 12/31/16;
- \$780.00 per week on and after 12/31/17;
- \$832.50 per week on and after 12/31/18;
- \$885.00 per week on and after 12/31/19;
- \$937.50 per week on and after 12/31/20

Employers in New York City:

- "Large" employers (11 or more employees)
 - \$825.00 per week on and after 12/31/16;
 - \$975.00 per week on and after 12/31/17;
 - \$1,125.00 per week on and after 12/31/18
- "Small" employers (10 or fewer employees)
 - \$787.50 per week on and after 12/31/16;
 - \$900.00 per week on and after 12/31/17;
 - \$1,012.50 per week on and after 12/31/18;
 - \$1,125.00 per week on and after 12/31/19
- Employers in Nassau, Suffolk, and Westchester Counties
 - \$750.00 per week on and after 12/31/16;
 - \$825.00 per week on and after 12/31/17;
 - \$900.00 per week on and after 12/31/18;
 - \$975.00 per week on and after 12/31/19;
 - \$1,050.00 per week on and after 12/31/20
 - \$1,125.00 per week on and after 12/31/21

A chart summarizing these thresholds is available on the New York DOL website.

(continued on page 14)

Pete Jones is a member of the Labor and Employment Law Department at Bond, Schoeneck and King, PLLC in Syracuse and may be reached at jonesp@bsk.com.



Patty Clark
HR Services Manager

New Year's Resolutions for 2017

Every year Americans make resolutions for the new year, sometimes they keep them and sometimes they don't. Marist College Institute for Public Opinion recently released its results from a survey conducted on what Americans have decided are their top resolutions. According to the survey of 1,005 adults, they discovered the top five individual resolutions for 2017 are:

1. Being a better person – 16%
2. Exercising more and weight loss – tied for second at 10%
3. Spending less and saving more, improving one's health, and eating healthier – all at 7%

Just like the resolutions you and I make, companies make resolutions too. According to an article titled "4 HR Resolutions for 2017," HR professionals look back at the previous year and set goals for 2017 as well. The top four resolutions made by HR Leaders are:

Increase Efficiency and Pare Down HR Processes – Some companies would like to streamline and improve the efficiency of the HR processes. As stated in 4 HR Resolutions for 2017 by Elaina Loveland, Krisha Beuler, HR Manager at eaHelp saw a lot of growth in staff in 2016 and saw a need to review their processes to become more effective "My main focus will be on streamlining, reducing re-work, leveraging technology and increasing quality within the HR department." She also saw a need to use an electronic format for enrollment forms and make it user friendly. Sarah Clausen, Director of Global IT, finance, HR and enabling solutions at John Deere also sees a need to simplify HR processes but only when it makes sense and it is ok to use simple "out-of-the-box" HR solutions to improve efficiency.

Make Professional Development and Leadership Training Top Priorities - Sommer Sherrod, Human Capital Partner at UnitedHealth Group believes it is important to focus on employee development in 2017. With more than 200,000 employees in 33 countries. "Our company has many amazing tools and resources that can help employees in their career paths," she said. "I want to help people understand and use these resources so they can take advantage of them." She is working on reducing the number of layers in the company and training managers on various topics. She feels it is important to train managers on a variety of topics giving them a better understanding behind the decisions that are made.

Keep Employees Engaged – Another resolution is to keep employees engaged. Clausen says that she's looking forward to "increased employee engagement in our production workforce to drive higher levels of productivity, safety, quality and delivery" and to "take more time to make sure employees feel valued." This is accomplished through stay interviews, allowing employees to give their feedback about their jobs to their manager.

Make 2017 the Year of Innovation – Ashley White, Executive Director of HR for American Productivity & Quality Center, is making 2017 the year of "why not." She feels it should be ok to say "why not" and consider an out of the box idea. Ashley feels that "The risk of admitting failure should be thought of as a small price to pay for creating something meaningful, engaging, innovative and exciting. Remember [that] ... HR stands for human resources, not hired robots." Rachel Erns, HR Director of Employee Success at Reflective, agrees. She believes that it is important for HR practices to keep up with the changing mindset of the workforce and "to encourage and honor human growth."

Hot Off The Line

Q - A former employee stopped in and gave me a written request to cancel his COBRA coverage because he became Medicare eligible. Do I have to send his spouse her own COBRA notification? Do I have to send her a Notice of Termination of Coverage notice?

A - Yes, you have to send his spouse and any qualified dependents their own COBRA notification as well as a Notice of Termination of Coverage notice for the former employee.



HR Stats & Facts

- Four really focused hours seems to not only be the most that people need to do really great work, but also the most they can handle in a normal day. *Source: Rest: Why you get more done when you work less by Alex Soojung-Kim Pang*
- A recent study showed 45% of employees stay later than standard workday to complete work that did not get done. *Source: Staples Business Advantage 2016*
- 43% of employees left their jobs because of a bad boss. *Source: Dec. 2016 HR Magazine*

C P I

Wage/Clerical	Nov.	Oct.	Pt. Chg. (Mo.)	\$ Chg. (Mo.)	% Chg. (Yr.)
1967=100	700.4	702.2	-1.8	-0.3%	1.5%
1982-84=100	235.2	235.7	-0.5	-0.2%	1.5%
Urban					
1967=100	723.0	724.1	-1.1	-0.2%	1.7%
1982-84=100	241.4	241.7	-0.4	-0.2%	1.7%
Unemployment Rates					
November- Onondaga County: 4.2; Metropolitan Syracuse Area (MSA): 4.6					



David Freund
Chief Leadership Officer

Authority

According to Webster, **authority** means *the power to give orders or make decisions: the power or right to direct or control someone or something*. When we are young and growing into our teens, we long for the day when we can be in charge; a time when we can tell others what to do, how to do it, and when to do it. Then the day finally comes when we have some small amount of authority, and it feels so good. We have been given our time to be in charge of someone or something. Perhaps it was babysitting or the president of a club or youth group. Our time has arrived, and we seize the opportunity to be in charge. We now have the power that comes with authority, and in the eyes of some, the power of leadership.

It is not our intention to use this power, this right, for evil purposes. We do not intend to abuse our authority, we simply act as others have before us. We are following the pattern we have seen time and time again. When we are given authority, we are given the responsibility to make decisions and to make sure everyone follows our directions. But what if this assumption is wrong? What if the examples we have seen and have been taught were not the proper use of authority, but rather an authoritarian rule. What if true authority is really the privilege of leadership? What if, as Simon Sinek says, “authority is not about being in charge but rather caring for those in our charge.”

Great leaders understand the need to be self-limiting. They realize that having authority does not mean they need to use it. They realize that true leadership is an art and knowing when to be self-limiting enhances one’s ability lead. The best leaders look to influence in artful ways to bring about the change or behavior they desire. In his book *Becoming A Person of Influence*, John Maxwell identifies activities great leaders use almost daily:

Great leaders sense teachable moments. They look for those times when a failure can become the launch pad for success or better ideas.

Great leaders sense breakthrough moments. They look for times in a team member’s life when either they are hurting enough to change, have learned enough to want to change, or have received enough to be able to change. In these crucial moments, a breakthrough is most likely.

Great leaders sense catalyst times. They look for times when they can leverage external forces to help bring about the change or behavior needed. It is almost like plugging into a power source or using a lever and fulcrum to move a large object.

Great leaders value people. They realize that assets make things possible but people make things happen. One of the greatest gifts a leader can give a person is when they express their belief in the other person when that person does not believe in himself.

Great leaders seek to nurture their team members’ growth. They are committed to caring about their team and valuing each person as an individual while working daily to lift each person to a higher level.

Great leaders seek first to understand. Until we know why a person has done something or how they have come to a conclusion, we will not be in a position to effectively share our ideas.

To sum things up, great leaders make people and people development their top priority. They look for potential in others and then fit that person with the best job possible. They use their experience and knowledge to mentor those in their charge and help that person believe that anything is possible.

How about you? Will you focus on using your authority or the power of your position to continue your authoritarian rule or will you choose to become a Great Leader who focuses on developing and supporting your team? It is really a choice between mediocrity and great success. The choice is yours, so choose well.



Bruce Hamm
Director of Business Engagement

Apprenticeship Program: Frequently Asked Questions

Many of you have no doubt heard by now that MACNY is sponsoring a registered apprentice program in Central New York (CNY). We have been out visiting companies in CNY, the Mohawk Valley, and the Southern Tier. During our travels we have discovered that there are a number of reoccurring questions:

Why is MACNY involved with apprenticeship?

MACNY has been hearing for years that manufacturers cannot find the high quality talented individuals needed to install, operate, and maintain the complicated equipment required in advanced manufacturing. National studies have shown that the “skills gap” could be as large as 3.4 million unfilled jobs over the next decade; *and if we do nothing, up to 2 million of those jobs could remain unfilled.*

Why can't companies start an apprentice program on their own?

Companies can start a program on their own, and several have had successful programs for many years. However, starting a program requires working with the Department of Labor (DOL)—filling out all the required paperwork, developing extensive training outlines, locating quality related instruction, and then operating and maintaining the program over many years. Many companies simply do not have the resources to do all this work by themselves. By joining with MACNY companies do not have to “do it on their own.” MACNY is working with dozens of companies to assist them in building programs and utilizing economies of scale to be more successful.

What occupations qualify for apprenticeship?

Both on the state and national level there are scores of manufacturing job titles that have approved apprentice training outlines. In order to get the CNY pilot program

started, MACNY worked with over 25 companies to select five job titles most in demand to get the program underway. The programs currently beginning are: CNC Machinist, Electronics Technician, Maintenance Mechanic, Toolmaker, and Welder. If you have any of these job titles you may want to contact us.

I have heard of apprenticeship but I'm not sure exactly what is involved?

Apprenticeship is a time tested method of training skilled workers that has been around for centuries. Very simply, an apprentice studies with a Journey-level expert to learn the trade. It consists of on-the-job training combined with related theoretical instruction. Because of the skill level involved, apprenticeships usually last many years.

Is an apprentice an employee of my company?

Yes. We are recommending that the best candidates for an apprenticeship are existing entry level employees that show good work habits and are looking for future growth within the company.

How are apprentices selected?

Each company selects its own apprentices from its current workforce.

How much do apprentices get paid?

One of the requirements of a registered apprenticeship program is a “wage progression.” The apprentice begins at an entry level salary and over the course of the training receives incremental increases as they successfully master the trade. Some of you may be familiar with the term “pay for performance” – the concept is very similar. Each company sets its own internal wage progression.

So I'm interested in learning more - what should I do?

Please contact Martha Ponge mponge@macny.org or Bruce Hamm bhamm@macny.org or call the MACNY Office at 315-474-4201.

Look for a sequel to this FAQ next month when we talk about how to get started, who does the training, how much work is involved, and most importantly HOW MUCH DOES IT COST?



Joe Vargo
Executive Director
Partners For Education & Business

Recent P-TECH Projects in Syracuse & Auburn

Syracuse P-TECH sophomores were able to simulate an assembly line during their latest project-based learning exercise held in December at the Institute of Technology (ITC). Using new socks, string, rice, funnels, a hot glue gun, buttons, paint and some fabric, students were divided into teams and stationed at 13 posts with each team having a specific task to complete before passing the sock onto the next team. With the help of their Career Coaches/Mentors, they learned the value of teamwork, problem-solving, quality control and thinking outside of the box. To make it even more interesting, students competed as a class against the other Technology class.



P-TECH Career Coach Cara Clafin of Ephesus provides assistance to students at station 7 as they measure 24 ounces of rice and use a funnel to fill the bottom of each snowman's body.



The finished products!



Auburn P-TECH student making PVC Snowman ornaments at the Career Coaching Event at their school. Alan Dungey- Auburn Leathercrafters, Amanda Sroka & Lydia Patty -Xylem, and Mike Davis- Extra Mile Tech helped students with assembling.

Auburn P-TECH freshmen and sophomores built PVC Snowmen Ornaments on December 16, 2016 in their technology room at Auburn High School with help from Career Coaches. Auburn Leathercrafters, Beardsley Design, Currier, Extra Mile TECH, Sunoco, Tessa, and Xylem were all there to offer their expertise and helped to guide the students to become creative with the materials they had to work with. The students learned about lean manufacturing during the event.

CNY Technology Sector Companies Provide Networking, Internship Opportunities to CNY STEM Scholars

PEB Works with Business Professionals to Highlight The Many Job Opportunities in CNY

The CNY STEM Hub, Partners for Education & Business, Inc. (PEB), and 10 Tech Sector companies hosted an informational event for college students on January 5th. Thirty-one top college students, who are previous applicants of the CNY STEM Scholarships Program, attended the event, which was held at SRC, Inc.

Jim Holland, Executive V.P. of SRC, Inc., welcomed the students and provided them with tips about how to stand out to employers. SRC's Corporate Communications Director offered an overview of the day's agenda and explained to the students how companies involved in the CNY Technology Sector, as well as many others from the CNY area, have more STEM-related job positions to fill than there are candidates for. PEB's Executive Director, Joe Vargo, illustrated how they all became part of the STEM Scholar Connection due to their previous application for a CNY STEM scholarship and how they will continue to receive invitations to future networking events in an effort to help them secure internships and jobs and to keep their talent here in their home state.

Speed interviews with representatives from the CNY Technology Sector companies, were conducted with the college juniors and seniors. The companies had job openings and/or internships in Electrical, Mechanical, Chemical, Biomedical, and Civil Engineering as well as Computer Science, Cybersecurity, and Environmental Science.

The younger undergrads listened to a variety of topics from a panel of Human Resource professionals and newly-hired young professionals, that included "Do's and Don't's," "How to Stand Out," and "My Perspective." The students had an opportunity to ask questions about securing internships and employment. Thanks to panel participants Christy LeClair, Aaron Lim from SRC, Inc., Michelle Lahnemann from King + King Architects, and Samantha Maggio from Anoplate. Students were also given an opportunity to attend a resume workshop conducted by Fran Emmi of INFICON.

In addition to the useful workshops and networking opportunities, students were provided a hearty lunch and had a chance to win one of many prizes donated by attending companies.

Many thanks to the participating CNY Technology Sector Companies:

- Anoplate
- Carrier Corporation
- ICS Solutions Group
- IV4
- INFICON
- King + King Architect
- National Grid
- NYS DEC
- SRC, Inc.
- United Radio



Keith Hurt from SRC, Inc. reviews a college student's resume who is interested in employment opportunities at this company.



Two of INFICON's young professionals share information about the company with a college senior who is seeking a position in Computer Systems Engineering.



Joseph M. Mocciaro, CPA, CMA
Bowers & Company CPAs

Evaluating Capital Spending

As we enter the new year organizations are preparing to execute their capital spending plans. Ultimately the decision to invest in long-term assets should be carefully examined and supported by cost data and quantitative measurements. Reasons supporting capital spending generally fall into one of the following categories:

- New equipment will provide cost reductions
- Increase capacity through expansion
- Replacement due to age/serviceability of existing equipment

Equipment acquisitions may require evaluating numerous options. Having sound cost data will aid organizations in choosing the best investment.

In evaluating a capital investment, three common calculations are generally utilized:

- Net Present Value (NPV)
- Payback Period
- Rate of Return (ROR)

Each analysis will provide a different viewpoint of the project. Performing all three tests and comparing the results against preset company benchmarks will allow for a more informed decision.

Net Present Value Method:

This method evaluates the present value of the cash inflows and outflows associated with the investment project over the asset's estimated useful life. The result of the calculation is either a net cash inflow or net cash outflow

from the project. The organization should set a target rate of return, or hurdle rate, and use that rate to discount the cash flows. To illustrate, assume the following scenario: Company purchases machinery for \$1.6M that generates net cash flows of \$500,000 for 8 years with no salvage value at the end. Using a hurdle rate of 18%, this project will result in a NPV of \$428,000 (using Excel NPV function). In other words, this project will generate \$428,000 of net cash in today's dollars. Generally, projects with a positive NPV would be accepted, projects with a negative NPV would be rejected.

Item	Year(s)	Cash Flow Amount	Present Value of Cash Flows
Purchase of Equipment	Now	\$(1,600,000)	\$(1,600,000)
Annual Net Cash Flows	1-8	\$500,000	\$2,038,783
Net Present Value			\$438,783

In this example, the project returns greater than 18%, which is evident by the positive net present value. Based on NPV calculations alone, this project would be accepted because it exceeds the hurdle rate.

Payback Period

The payback method is a common computation that determines the length of time it takes for a project to recoup its initial investment out of the cash receipts it generates. The formula for computing the payback period is the Cost of the Investment divided by the Net Annual Cash Flows. When project cash flows fluctuate annually, the computation will require an amortization table style format as the formula will not work.

When evaluating a project based on payback period alone, generally projects with shorter payback periods are preferable to projects with longer payback periods. Organizations should set a target for payback time limit, and measure potential projects against the company's benchmark.

There are limitations to the payback method. First, the calculation does not consider the profitability of the project since a shorter payback is not an indication of how profitable a project will be over the life of the asset. Additionally, this method does not consider the time

value of money. However, understanding how quickly an investment is recovered is an important factor in moving forward with a project.

Rate of Return

The rate of return represents the gain, or loss, on a project, over the life of the project, expressed as a percentage of the investment's cost. Calculating the rate of return (using the IRR function in Excel) will provide management with the ability to compare projects against each other as well as against the hurdle rate the company has set as a minimum required return.

Focus on Cash Flows

Capital budgeting analysis should focus on cash flows, and

not accounting net income. Accounting net income is based on accrual concepts that ignore the timing of cash flows. Cash inflows to be considered would include incremental revenues generated from the asset, reduction in costs and salvage value of equipment at the end of the asset's useful life. Cash outflows included in the computation would include the initial investment and anticipated repairs and maintenance associated with the asset.

Summary

A decision to make a particular investment is dependent on whether the future returns can be justified in terms of the present cost outlay. Since, capital outlays lock up resources for many years, it is imperative that a disciplined capital budgeting process exist at any organization.

Joe is an Audit Partner at Bowers & Company CPAs, and leads the Firm's Manufacturing Practice Group, with over 20 years of manufacturing accounting experience. Before joining Bowers, Joe obtained extensive cost accounting experience while employed for a large international manufacturing entity. Joe is a member of the Institute of Management Accountants, is a Certified Public Accountant (CPA) and Certified Managerial Accountant (CMA). You can contact Joe via email at jmm@bcpllc.com or call (315) 234-1179.



MACNY's 104th Annual Dinner **Thursday, May 18, 2017** **OnCenter Syracuse**

5:00 PM - Cocktail Reception and Networking

6:00 PM - Program and Speakers

7:00 PM - Dinner and Awards

Sponsorships Available!

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If you know of companies that could benefit from a MACNY membership, please contact Cindy Nave at 315-474-4201 ext. 11 or cnave@macny.org.

(continued from page 5)

Status of the Salary Threshold Under Federal Law

The injunction issued by the Texas District Court regarding the new salary thresholds is on appeal to the Fifth Circuit and is being heard on an expedited basis. The District Court has declined a request to stay its ruling pending the appeal, meaning that the injunction remains in place pending the decision by the appellate court. The position taken by the incoming Trump administration after the inauguration on January 20 could also affect whether the rule ever goes into effect.

Action Items for Now

What does all of this mean? While the ultimate fate of Federal DOL's regulations remains unclear, New York employers now know that the salary threshold applicable to exempt executive and administrative employees increased effective December 31. This means that employers with any exempt executive or administrative employees who are currently paid less than the applicable salary threshold set forth above, must increase their salary to at least the above threshold or reclassify them as nonexempt. Certainly, the abrupt timing and the energy devoted to the federal issues have not made this conversion easy for employers. The best we can do is address these challenges as they are presented.

- 1 Business Development Council: TBD**
Time: 8 AM - 10 AM; Cost: No cost for Business Development Council Members & Individual Members / \$40 per non-Business Development Council Member; Presenter: Lisa Mondello, SRC
- 2 HR Council: Corporate Social Responsibility & Sustainability**
Time: 8 AM - 10 AM; Cost: No cost for HR Council Members & Individual Members / \$40 per non-HR Council Member
- 3 “The 21 Irrefutable Laws of Leadership” Mastermind Group (Individual Members Only)**
- 3 P-TECH Mentor Information Session**
Time: 12 PM (lunch is provided); No cost
- 6 ISO 9001:2015 (2-day training)**
Time: 8:30 AM - 4:30 PM on 2/6 and 2/7; Cost: \$650 per MACNY Member (\$585 per Individual Member) / \$850 per non-MACNY Member; Facilitator: Tara McInerney
- 8 Finance Council: Current Events and Global Financial Influences**
Time: 8 AM - 10 AM; Cost: No cost for Finance Council Members & Individual Members / \$40 per non-Finance Council Member
- 9 ISO 9001:2015 Transition Implementation**
Time: 8:30 AM - 4:30 PM; Cost: \$395 per MACNY Member (\$355.50 per Individual Member) / \$595 per non-MACNY Member; Facilitator: Tara McInerney
- 9 Maximize Your MACNY Membership Session**
Time: 9 AM - 10 AM; No cost
- 10 Quality Council: External Processes - What are they and how can we control them?**
Time 7:30 AM - 9:30 AM; Cost: No cost for Quality Council Members & Individual Members / \$40 per non-MACNY Member
- 10 Forklift Operator Safety Training: Train-the-Trainer**
Time: 8:30 AM - 3:30 PM; Cost: \$300 per MACNY Member (\$270 per Individual Member) / \$500 per non-MACNY Member
- 14 HR Breakfast Briefing: HR Hot Topics**
Time: 8 AM - 10 AM; Cost: \$25 per MACNY Member / \$35 per non-MACNY Member; Presenter: Chris Harrigan, Attorney with Barclay Damon
- 14 The 15 Invaluable Laws of Growth**
Time: 8:30 AM - 4:30 PM; Cost: \$325 per MACNY Member (\$292.50 per Individual Member) / \$525 per non-MACNY Member; Facilitator: David Freund, Chief Leadership Officer, MACNY
- 15 Safety Council: Tour of WestRock - Solvay Mill**
Time: 9 AM; Cost: No cost for Safety Council Members & Individual Members / \$40 per non-Safety Council Member
- 17 Technology Council: CIO Interview**
Time: 8:30 AM - 10:30 AM; Cost: No cost for Technology Council Members & Individual Members / \$40 per non-Technology Council Member
- 21 Factory Managers Council: Tour of Tactair Fluid Control**
- 23 Plant Engineers Council: Energy Event - Microgrids Demystified**
- 28 Crucial Conversations (2-day training)**
Time: 8:30 AM - 4:30 PM on 2/28 and 3/7; Cost: \$995 per MACNY Member (\$895.50 per Individual Member) / \$1,295 per non-MACNY Member; Facilitator: David Freund, Chief Leadership Officer, MACNY

Unless otherwise noted, all events and classes are held at MACNY Headquarters, 5788 Widewaters Parkway, Syracuse, NY 13214



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