

Today's Contractor



In This Issue

- ▶ *Radiant Heating:
Providing Comfort to Clients*
- ▶ *Borrowing Responsibly
and Managing Debt*

Selecting the Right Estimating Software Package

In a highly competitive marketplace, preparing estimates by hand or through outdated technology can put your company at a disadvantage. Estimating software products can help you prepare estimates that reflect up-to-the-minute changes in the market, while standardizing your estimating processes and making it easier to store information for future use. While integrating a new estimating solution involves an investment of time and money, the right package can increase your overall efficiency and productivity.

With years of experience in preparing estimates, you know you need access to an array of relevant information, including current subcontractor rates and the latest prices for materials, labor, or equipment in your area. Estimating software tools can link to databases that provide real-time information about costs for various elements of a project, including supplier price lists or subcontractor fees.

Estimating software can also enable you to prepare takeoffs, or itemized lists of material quantities, more quickly and efficiently than manually preparing this information. Many programs allow you to estimate quantities and dimensions by running a mouse over online images of plans or by using a digitizer tablet with a stylus that can be traced over a blueprint. Converting hard copies of plans into an electronic format—either by using a digitizer tablet or by scanning the plans—can save time and reduce the risk of errors. Finally, bids can be prepared on the estimating worksheets or the spreadsheets on which the final calculations are made.

Continued from page 1

Selecting the Right Estimating Software Package

When deciding between software packages, take advantage of free trials or interactive demonstrations on vendor websites. Consider choosing a program that can be customized to your company's specific needs by allowing you to store information from previous estimates and create assemblies, or groups of associated items that have a set unit cost. If several employees may be using the software, select a package that makes it easy to view, exchange, and integrate data from multiple users.

Another factor to consider is the appearance of the final estimate. Does the document look professional, and is it easy to understand? An estimate is not just a technical analysis of the costs of a project; it is a marketing tool that can persuade customers of your firm's capabilities.

While there are many products on the market, consider choosing an established vendor that provides ongoing technical support and regular upgrades. Many vendors also offer on-site instruction, off-site seminars, or training by video, phone, or online. Also, be sure that the software can be integrated into your other programs, including accounting and project management tools.

When shopping for estimating software, remember that price is only a partial indicator of quality and functionality. If you belong to a professional association, ask for recommendations from the group or individual members. Trade publications or online sources may also have reviews of various packages. Remember, the right program can greatly increase your efficiency and productivity.

Radiant Heating: Providing Comfort to Clients

As anyone who spends time in colder climates knows, indoor heat collects at the ceiling of a room, while the air around the floor remains chilly. Radiant heating systems, which heat the floors or subfloors of a home, can help solve this problem. These systems are generally more expensive than conventional heating solutions, but clients may be attracted by the greater comfort and lower energy usage of these systems.

The extra comfort offered by radiant heating does not end with warmer feet. An under-floor heating system is silent, does not dry out the air, and distributes heat evenly across rooms, making this option attractive to people with allergies or respiratory problems. Because the heat generated by radiant systems is distributed more efficiently than with traditional systems, less energy is needed to create a pleasant temperature, helping homeowners save on their heating bills.

One of the simplest forms of radiant heating involves laying mats with electric cables woven into

the fabric below the floor covering or carpet. These mats function like an electric blanket and are most often used to heat single rooms in a house. Electric systems are relatively inexpensive to install, but the mats themselves can be expensive because of the number of cables needed to provide even heat. They are also less energy efficient than more comprehensive systems.

For homes that are heated entirely by radiant floor systems, a hydronic system may be used. Hydronic systems generate heat through hot water from a boiler or geothermal system. Plastic tubes for the hot water are embedded in concrete slabs beneath the floor covering, and insulation is laid beneath the tubes to ensure an upward flow of heat. Power sources for the water heater may include electricity, gas, oil, or even solar power. Because concrete floors change temperature slowly, owners can program the system to draw more energy during off-peak hours, when prices are lower. A hydronic system with a

Continued on page 3

Borrowing Responsibly and Managing Debt

Taking on debt is sometimes necessary as a company expands or when business slows due to volatility in the economy. Managing your debt carefully can minimize the cost of carrying debt and make it easier to move into the black when the market improves.

Before taking out a new loan, make a list of your company's assets, including real estate, buildings, and equipment that can serve as collateral. Then calculate how much financing your firm needs, outlining precisely how the money will be spent. At the same time, review your current operations, looking for ways to cut unnecessary costs or increase revenue. You may, for example, be able to renegotiate payment plans with suppliers to allow more time to pay off the amounts owed. Similarly, if your company is planning to purchase equipment, consider whether leasing can reduce the amount you need to borrow. Review your invoicing procedures, ensuring that your current system for collecting payments is effective.

After you have explored all options for optimizing cash flow, revise your business plan to reflect your current needs and circumstances. Potential lenders will want to see evidence that your company is being run efficiently and that market conditions justify outlays. Even if business is down, you may, for example, be able to demonstrate that your company is out-performing competitors and is in a position to rebound quickly as the economy picks up.

Continued from page 2

Radiant Heating: Providing Comfort to Clients

concrete subfloor may be most practical when planning a new home or a major renovation.

Rooms with radiant heat most often have tile, stone, laminate, or hardwood floors, but they may also be covered with carpet or made of vinyl, or be left as concrete. The use of radiant heating may affect floor covering choices. For example, heavy

If you wish to borrow money, start by approaching your current bank. While an extension of a line of credit may be sufficient to meet the short-term need for additional cash flow, consider options for locking in a manageable interest rate for any long-term debt. Structuring debt as a long-term obligation improves your working capital ratio, or the ratio of current assets to current liabilities, thus helping to maintain your firm's bonding capacity.

If the amount of money your bank is prepared to lend your company is insufficient, investigate the alternatives. Because lending practices vary, consider applying for loans from a variety of banks, including large institutions, smaller community banks, and credit unions.

Banks are not the only sources of lending. For smaller loans, consider approaching a nonprofit lender that provides micro-loans through a program of the Small Business Administration (SBA). These lenders typically extend lines of credit of up to \$35,000 and may require applicants to provide evidence that they have been turned down for a loan by a bank. Online peer-to-peer lending may also provide a smaller loan. Individuals or businesses wishing to borrow funds on a peer-to-peer website post a listing for a loan, including information about the amount needed and the rate they believe they can afford. Potential lenders then start bidding to fund the loan, offering varying amounts and rates.

Continued on page 4

carpets can block heat, and wooden floors may require specific types of panels to prevent heat damage.

For those seeking customized comfort, energy efficiency, and reliability, radiant heating can be an attractive option.

construction trend data

Following a surge in building activity in October, construction starts for all categories were down 9% in November. While residential building was unchanged, nonresidential building fell 18%, and nonbuilding construction decreased 7%. For the first 11 months of 2009, total construction starts came to \$381.0 billion, or 28% lower than 2008.

In nonresidential building, weakness was seen in the commercial and institutional sectors, but small increases were recorded in the educational buildings (+6%) and public buildings (+1%) categories. Offsetting declines in nonbuilding construction were surges in bridge construction (+33%) and river/harbor development (+46%). Residential building rates were essentially unchanged in November, with single family housing edging up 1% and multifamily housing retreating 6%.

“During the spring, the construction start statistics made the transition from steady decline to more of

an up-and-down pattern, and November’s pullback following the strong gain in October is a continuation of that pattern,” said Robert A. Murray, vice president of economic affairs for McGraw-Hill Construction.

Total new construction starts by region for the first 11 months of 2009 were as follows: South Central, down 26%; Northeast, down 27%; Midwest and West, each down 28%; and South Atlantic, down 29%.

Year-to-Date Construction Contract Value Unadjusted Totals, In Millions

	11 Mos. 2009	11 Mos. 2008	% Change
Nonresidential Building	\$152,132	\$229,323	-34
Residential Building	102,418	154,563	-34
Nonbuilding Construction	<u>126,469</u>	<u>143,684</u>	<u>-12</u>
Total Construction	\$381,019	\$527,570	-28

Continued from page 3

Borrowing Responsibly and Managing Debt

If you are unable to obtain financing through these channels, investigate other SBA loan programs. Distributed through commercial lenders, loans can be guaranteed by the SBA with favorable terms to borrowers who qualify. The 7(a) program makes loans up to \$2 million for a variety of purposes, including larger capital purchases or short-term working capital needs. While the loan itself is made by the bank, the SBA limits the interest rates and fees the lender can charge. The SBA’s 504 loan program provides growing businesses with long-term, fixed-rate loans of up to \$2 million for the purchase of major fixed assets, such as land and buildings. However, be aware that the SBA may require personal guarantees from borrowers owning 20% or more of the business.

With the economy in flux, your firm may be in a very different position than the last time you

sought financing. If an analysis of your current situation reveals a high debt-to-equity ratio, taking out additional loans or credit could expose you to too much risk. To avoid becoming too leveraged, consider looking for new investors. Depending on your needs, your capital requirements may be met through small investments from friends, relatives, business associates, angel investors, or employees. These deals should always be governed by a legal contract defining the terms of the arrangement, including the return on investment for stakeholders and the extent to which investors will be involved in running the business.

Many businesses require financing for short- and long-term needs. Borrowing responsibly and managing debt effectively can help your business minimize the cost of debt, as it is needed.

4

Be advised that this information was not intended or written to be used, and cannot be used, for the purpose of avoiding tax-related penalties; or for promoting, marketing, or recommending to another party any tax-related matters addressed herein. This publication is intended to provide accurate and authoritative information on the subject matter covered. It is distributed with the understanding that the publisher and distributor are not rendering legal, accounting, or other professional advice and assume no liability whatsoever in connection with its use. © 2010