



# Construction Industry Survey

based on 2010 results



Lewis   
& Knopf  
CPAs, PC





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Thank you for your participation in the 2010 Construction Industry Survey. As promised, we have enclosed the results of the surveys received from construction professionals in the Greater Genesee County area.

The survey respondents included a diverse group of contractors. Commercial, residential and government construction services were all represented with revenues ranging from \$1 million to \$10 million. We trust this information will be useful to you in making strategic business decisions for your company.

In an effort to present the information in a manner that can be easily interpreted and utilized, we have enclosed the following:

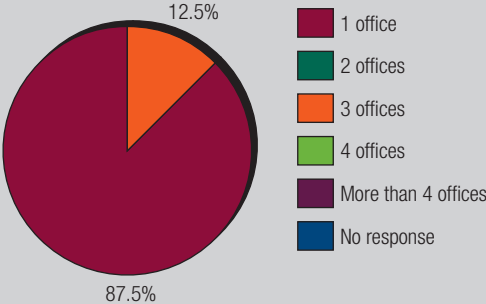
1. A description of the survey respondents, including contractor size and type.
2. A summary of data for areas including operations and financial management; customers and marketing; human resources; benefits; compensation; and technology.
3. Graphic representations of the questions posed within the original survey.

We hope you find this information valuable, and we appreciate your participation in our survey. If you have any questions regarding the information represented, please feel free to contact us directly at (810) 238-4617.

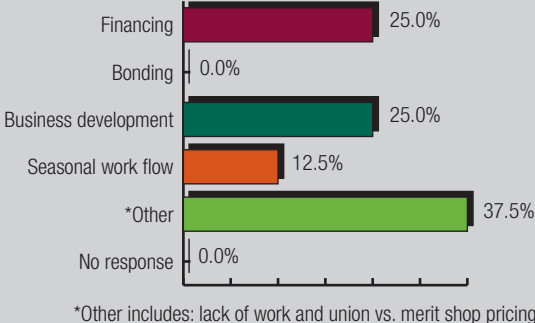
Sincerely,  
Lewis & Knopf Construction Team

# Description of Survey Respondents

**How many offices do you have?**

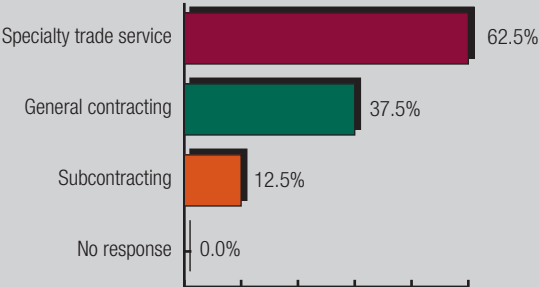


**What is the biggest challenge currently facing your business?**

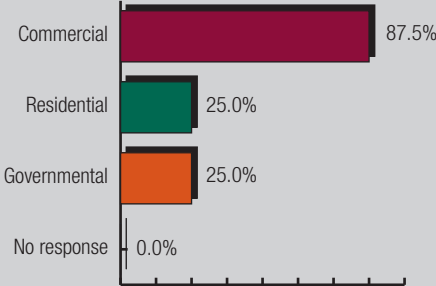


\*Other includes: lack of work and union vs. merit shop pricing

**What does your company primarily provide?**



**In what categories do you classify your business?**

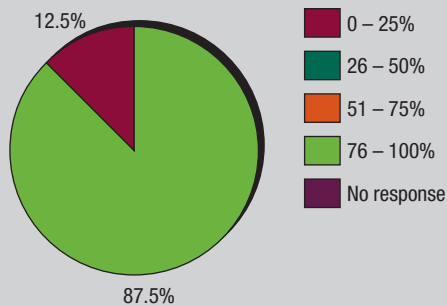


# Operations and Financial Management

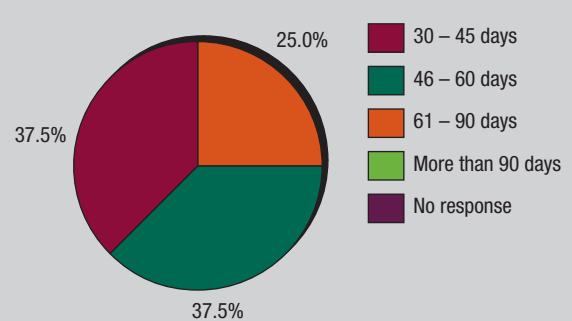
According to industry reports, larger companies may own much of their equipment and retain full-time construction crews, while smaller firms typically lease equipment for a particular project and hire much of their labor on a project basis. Contrary to industry reports, nearly 88% of survey respondents reported owning most of their equipment, an increase of 13% from last year's survey results.

Reports show cash flow generally is uneven, because construction work is seasonal in most cities, and payables and receivables can be high. Cash flow management can be difficult, because revenue generally comes through many periodic payments; each ties to completion of different project milestones. This year's survey respondents' receivables aren't showing any quicker turn time than last year. Meanwhile, nearly 38% of respondents reported they are invoicing on a monthly basis, a decrease from 50% last year. The 2010 survey results also concluded that respondents are using more than one level of assurance for their financial statements, although review is the most common.

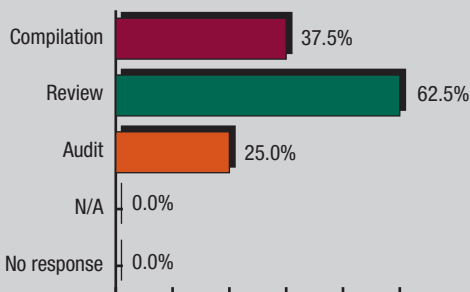
**What percentage of equipment do you own versus lease?**



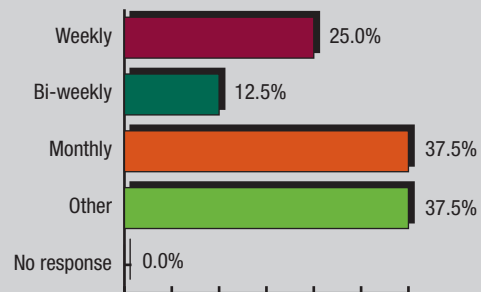
**What is the average age of your receivables?**



**What level of assurance is required for your financial statements?**

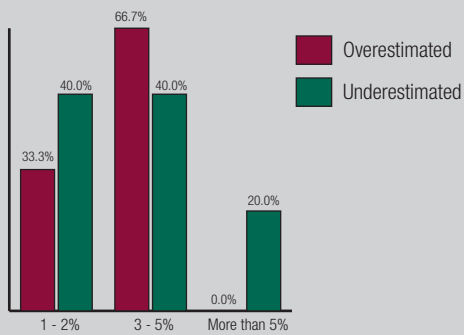


**How often do you bill?**

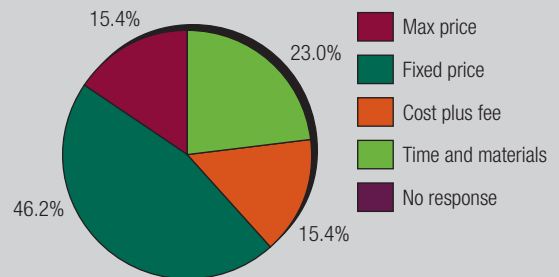


# Operations and Financial Management (cont.)

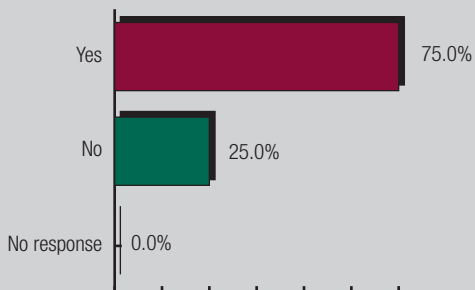
Not including change orders, on average, how close are your estimates to actual job costs?



What percentage of gross revenues are generated using the following methods?



Do you include workman's compensation in your labor burden rates for bid purposes?



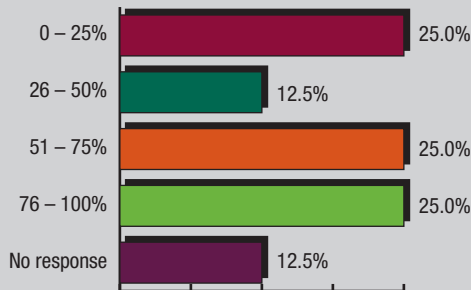
# Operations and Financial Management (cont.)

According to industry reports, tight financing for construction loans remains the issue for the slow industry. This slowdown is continuing to result in little work, which forces companies to work on different types of construction projects or in both the public and private sectors.

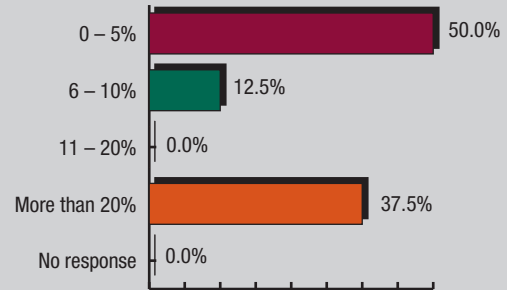
To cut costs in this tight economy, 75% of survey respondents have chosen to limit travel and entertainment, and 25% are eliminating outsourcing. In addition, some are cutting training expenditures. Survey respondents have also controlled human capital costs. Most have chosen to control these costs by adjusting health benefits, freezing 401(k) plans or reducing their work force. Nearly 88% of 2010 survey respondents report that the stimulus money and tax credits have not impacted their businesses.

In the 2010 survey, 75% of respondents reported they include workmen's compensation in their labor burden rates for bid purposes. This is a decrease of 15% from last year's survey.

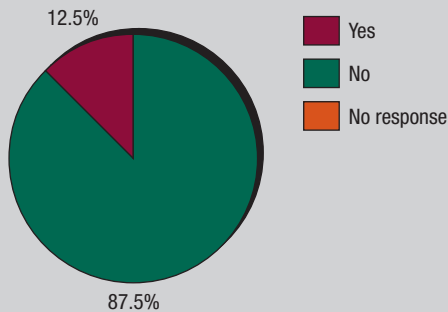
**What percentage of your corporate gross revenue is attributable to bonded projects?**



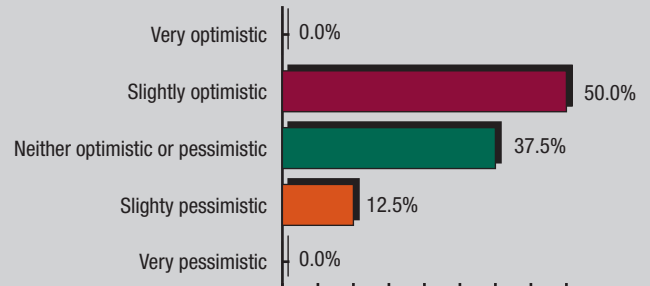
**What percentage of your corporate gross revenue is attributable to change orders?**



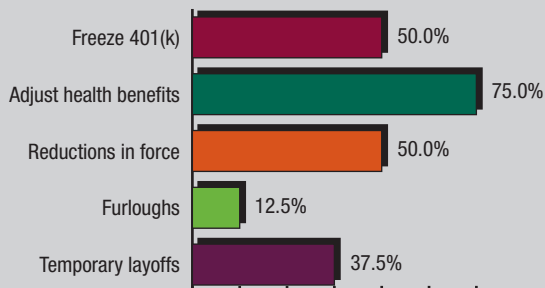
**Do you feel that stimulus money or new available tax credits will impact your business?**



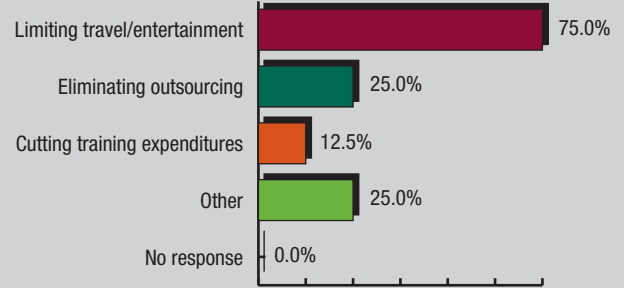
**How optimistic are you about your company's future prospects?**



**How have you controlled human capital costs?**



**What other creative cost cutting strategies have you implemented?**

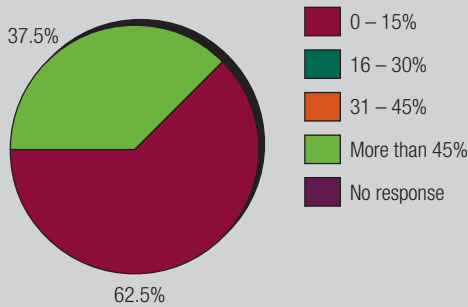


# Customers and Marketing

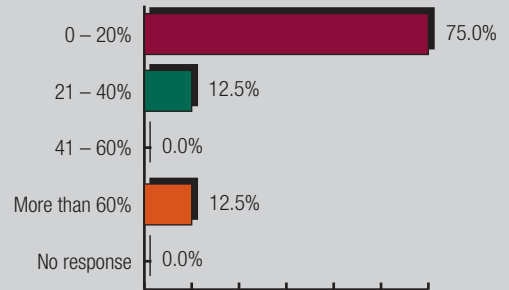
According to national industry reports, growth in the 65 and over population segment will also present opportunities for the commercial construction industry with need for retirement, assisted living and hospital facilities. Most survey respondents do not believe any markets will be opening for the construction industry, but 12% report they may have opportunity within the healthcare segment.

Over 37% of survey respondents reported their company workload consists of more than 45% government contracts. This is an increase from last year's survey results.

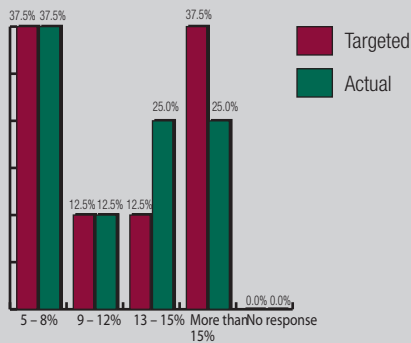
**What percentage of your work is government contract (vs. commercial)?**



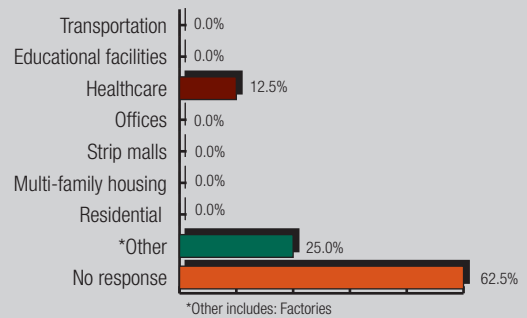
**What percentage of bids do you win?**



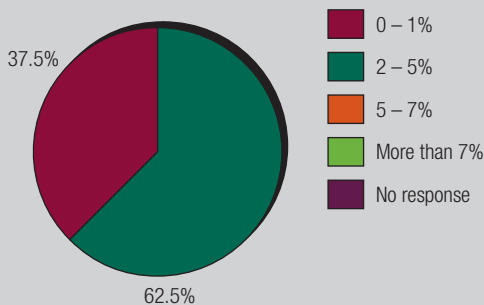
**What is your gross profit percentage?**



**What new markets will be opening in your industry in the next five years?**



**What is your marketing budget as a percentage of gross revenue?**



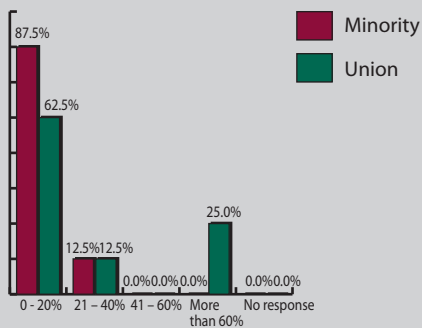


# Human Resources

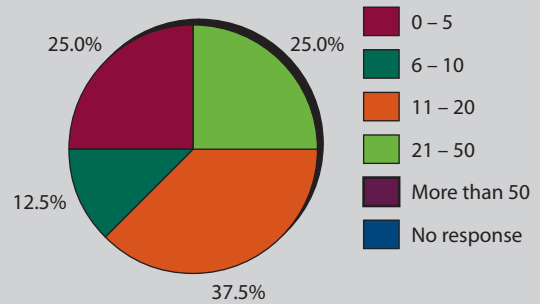
According to national industry reports, rising costs and uncertain markets lead construction firms to acquire many resources on a per-project basis. Many companies have their own project managers on staff, but hire other workers as needed. In this year's survey, only 25% reported 20 or more full-time employees. This is a decrease of 25% from last year's survey and most likely due to the economy.

Larger companies typically negotiate an overall contract with a project owner and function as the prime contractor, acquiring equipment and materials, managing the construction schedule and hiring specialist subcontractors for much of the actual construction work. Any one project can have from a dozen to hundreds of subcontractors who specialize in foundations, floors, walls, roofs, interior walls, electrical, painting, plumbing, HVAC, etc. In this year's survey, 25% of respondents' jobs are subcontracted more than 60% of the time. This has decreased twice in the past two years.

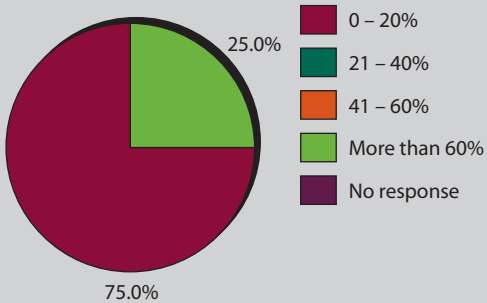
**What percentage of your full-time workforce is minority and union?**



**On average, how many full-time employees do you keep on staff?**



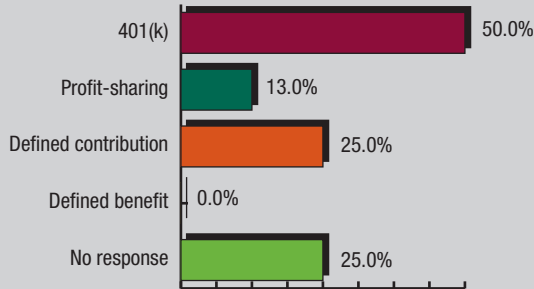
**What percentage of jobs are subcontracted?**



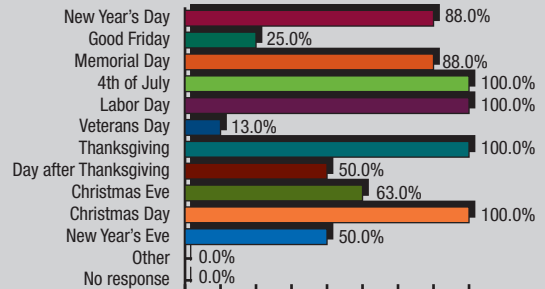
# Benefits

Industry reports conclude that turnover in the construction industry is about twice as high as the national average of other industries, due to the seasonal nature of the industry and high injury rates. However, all survey respondents report offering health insurance to their employees. A 401(k) plan is the most widely-used pension plan. The majority of survey respondents do not offer short-term and long-term disability. Dental insurance is offered by only 25% of the respondents.

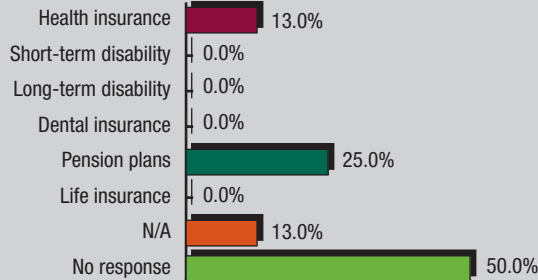
## Pension Plans Offered



## Holidays Observed



## What benefits do you offer your part-time employees?

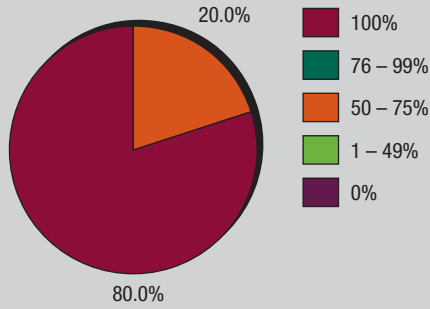


## Number of Days Received

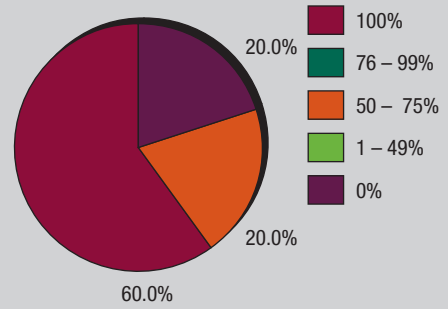
Paid time off	Range	Average
First year	0 – 5	1
After first year	0 – 12	5
After fifth year	0 – 17	9
Vacation	Range	Average
First year	0 – 7	4
After first year	5 – 14	9
After fifth year	10 – 21	14
Sick time	Range	Average
First year	0 – 7	4
After first year	0 – 7	5
After fifth year	0 – 15	8

# Benefits (cont.)

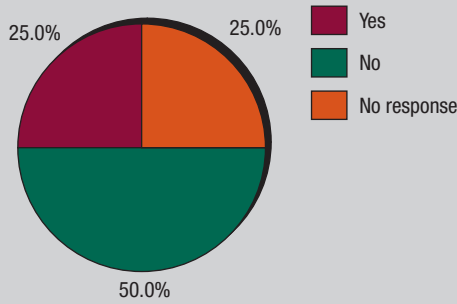
**Individual Health Insurance Coverage  
Percentage Paid by Company**



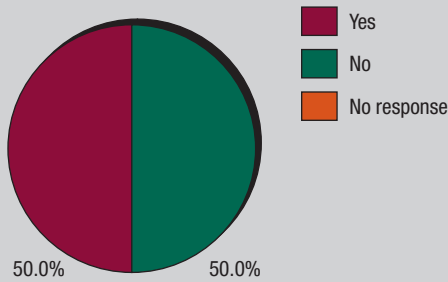
**Family Health Insurance Coverage  
Percentage Paid by Company**



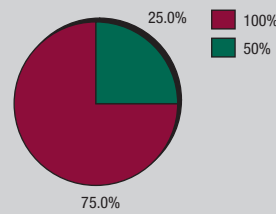
**Do you offer dental insurance coverage to your employees?**



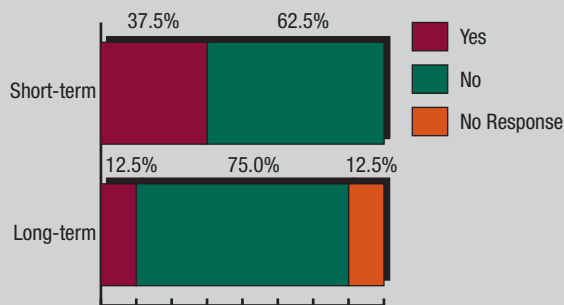
**Do you offer life insurance coverage to your employees?**



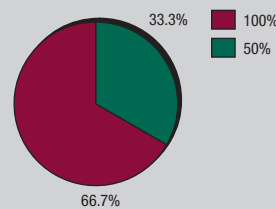
**Percentage Paid by Company**



**Do you offer disability coverage to your employees?**



**Short-term Percentage  
Paid by Company**

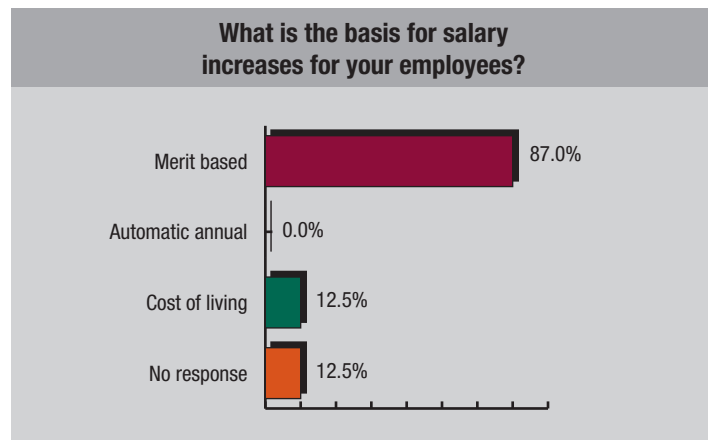


# Compensation

In the construction industry, average hourly wages and employment have slightly increased. According to industry reports, nonresidential construction jobs often require special training or experience and, therefore, pay relatively high wages. Average hourly industry wages are moderately higher than the national average of other industries.

The Bureau of Labor Statistics also indicates the average hourly wage for nonresidential building contractors was \$24.50 in 2009 and has increased to \$25.13 in 2010 with a decrease of .02% in early 2011.

About 87% reported their criteria for increasing employee salaries is primarily merit based, a decrease of 6% from last year's survey.



## Salary and Experience

Position	Range	Average
<b>Project Manager</b>		
Hourly rate	\$17.40 – \$22.00	\$19.47
Years exp.	23 – 30	26.5
<b>Superintendent</b>		
Hourly rate	*N/A	\$20.00
<b>Estimator</b>		
Hourly rate	*N/A	\$20.00
Years exp.	*N/A	16
<b>Foreman</b>		
Hourly rate	-	\$18.00
Years exp.	*N/A	30
<b>Administrative Staff</b>		
Hourly rate	\$13.40 – \$18.00	\$15.70
Years exp.	*N/A	25

Position	Range	Average
<b>Office Manager</b>		
Hourly Rate	\$25.00 – \$40.00	\$32.50
Years Exp.	*N/A	22
<b>Sales Staff</b>		
Hourly Rate	*N/A	\$41.00
Years Exp.	*N/A	24
<b>Bookkeeper</b>		
Hourly Rate	\$12.00 – \$27.25	\$19.63
Years Exp.	9 – 30	19.5

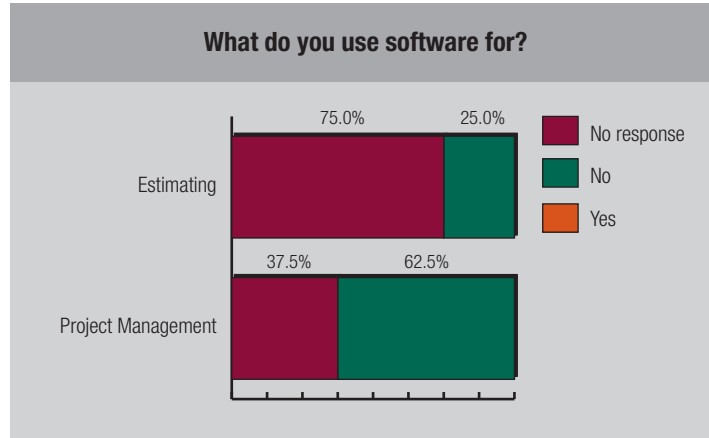
\*Indicates only one company listed wages for this position.

# Technology

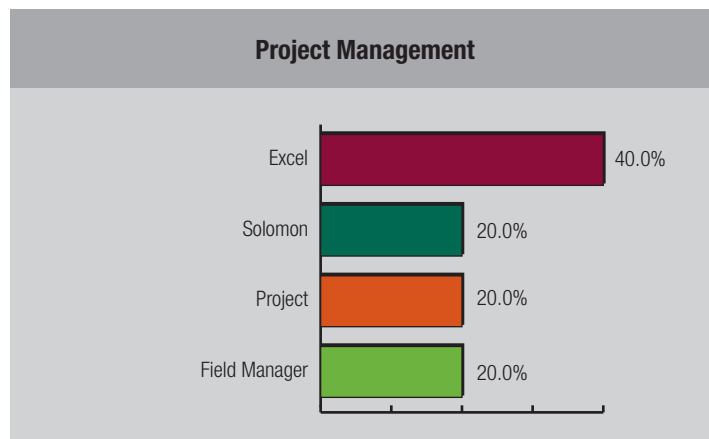
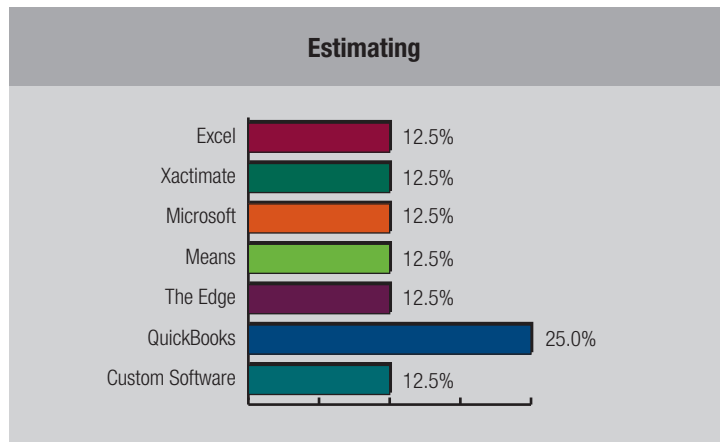
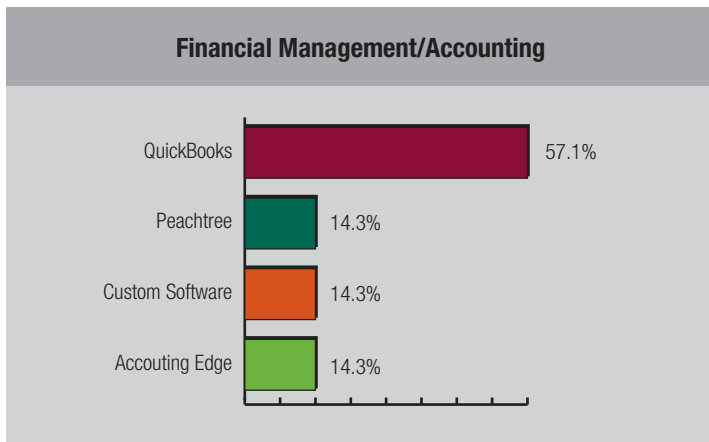
According to national industry reports, computer technology and new building techniques enable companies to improve project implementation. Computer technology has reduced costs and mistakes in an industry that relies heavily on correct scheduling, coordination and technical specifications.

The survey respondents reported a decrease from 81.2% in 2009 to 75% in 2010 in the use of technology software for estimating. About 25% said they use QuickBooks for estimating software.

For the third consecutive year, 100% of the survey respondents reported they use software for financial management/accounting. QuickBooks was the most commonly used software in this category as well.



## What software do you use?



# Technology (cont.)

## Top Software Used

Ranked on a scale of 1 to 10 (10 being the highest)

### Estimating Software

	Excel	Xactimate	Microsoft	Means	The Edge	QuickBooks	Custom Software
Sophistication	5.0	9.0	10.0	5.0	7.0	9.5	8.0
Ease of use	7.0	6.0	10.0	7.0	7.0	9.5	7.0
Cost	10.0	8.0	10.0	8.0	7.0	9.5	9.0
Stability	8.0	10.0	10.0	8.0	7.0	9.5	10.0
Technical support	6.0	9.0	10.0	8.0	7.0	9.5	9.0

### Project Management Software

	Excel	Solomon	Project	Field Manager
Sophistication	7.5	10.0	8.0	7.0
Ease of use	9.5	8.0	6.0	7.0
Cost	9.5	5.0	8.0	3.0
Stability	8.5	8.0	8.0	7.0
Technical support	9.0	8.0	8.0	5.0

### Financial Management/Accounting Software

	QuickBooks	Custom Software	Accounting Edge
Sophistication	9.0	8.0	6.0
Ease of use	8.3	7.0	9.0
Cost	8.7	9.0	9.0
Stability	8.7	10.0	9.0
Technical support	9.5	9.0	8.0





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