



BuildPERALTA Academy

Build Peralta Academy
Managing Cashflow in the Construction Industry
Wednesday, February 2, 2022



Safety Tips – Fatigue and Work

Fatigue is the state of feeling very tired, weary or sleepy resulting from insufficient sleep, prolonged mental or physical work, shift work or extended periods of stress or anxiety. Staying awake for 24 hours straight affects the human body almost exactly like a blood alcohol level of .10%, which exceeds The legal limit for driving.

Tips for workers

Eat a healthy diet that promotes longer lasting energy. Complex carbohydrates (Starch) are preferable to simple carbohydrates (sugar). Avoid fatty foods and junk food.

Adopt a steady exercise routine that includes cardiovascular, muscle strengthening and flexibility workouts.

Try to get at least 7.5–8.5 hours of sleep per night.

Stay positive. Make a conscious effort not to be overwhelmed by negative circumstances.

Avoid driving if you are tired, especially in inclement weather where vision is impaired.

Avoid Excessive noise.

Agenda

- Welcome
- Introductions
- Bond Program Overview
- Commitment to Local Businesses
- Key Benefits of Build Peralta Academy
- Course – Managing Cashflow in the Construction Industry
- Survey
- Q&A
- Closing



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Introduction of Presenters

Sharon Serrano, AECOM



Sharon Serrano
AECOM



Dr. Bonnie James
BRJ & Associates



Shonda Scott
360 Total Concept



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Meet
The
Team



Sharon Serrano

Deputy Program Manager
AECOM



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Program Overview

Sharon Serrano, AECOM



BuildPERALTA Academy

\$77 Million
State Funding in Place

\$129 Million
Contract
Commitments

15
*Major Projects
Underway*

\$115 Million
Bonds Issued

56
*Infrastructure
Packages
Underway*

\$51.2 Million
Expended

Laney College



Berkeley City College



Merritt College



College of Alameda



Meet
The
Team



Shonda Scott

CEO, Founder
360 Total Concept



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Commitment to Local Businesses

Shonda Scott, 360 Total Concept



- PCCD Small Business Policy
 - 25% Small Local Business Participation
- Certification (small business located in 6 cities in Peralta District: Alameda, Albany, Berkeley, Emeryville, Oakland and Piedmont)
 - SLBE: Revenue size has not exceeded gross annual revenue for the past 3 consecutive years
 - Construction Firms: \$8.5M > under
 - Goods Non-Professional Services Firms \$6M > under
 - A/E and Professional Services \$3M > under
 - SELBE
 - For businesses that have not exceeded revenue of \$1.5M past 3 consecutive years

Methods of Outreach Communications



- Peralta Website
- Build Peralta Site
- Peralta College Marketing
- Laney Construction Management Program
- Social Media: #buildperalta
 - Instagram
 - Twitter
 - Facebook
 - YouTube
 - LinkedIn

Meet
The
Team



Dr. Bonnie James

President

BRJ & Associates



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


BuildPERALTA Academy

Dr. Bonnie James, BRJ & Associates

Key Benefits of Build Peralta Academy

- Instructional assistance workshop/ bootcamp
- Learn from industry experts
- Help small businesses build capacity



“How to Create Award Winning Proposals”

Meet the Expert:
Dr. Bridget Ssamula,
Key Account Coordinator: US East & LATAM,
AECOM






**Peralta Community College District’s Bond Program
Technical Assistance Workshop Bootcamp**

12.1.2021 5:00–6:30pm Location ZOOM

Winning tips from the expert! Dr. Ssamula holds a PhD in transportation engineering, and has developed proposals winning over \$500M dollars in revenue.

Build Peralta Academy’s technical assistance workshops provide tools to help small businesses navigate working on the Measure G Bond Program and major projects.

RSVP at buildperalta@peralta.edu
Upon RSVP, Zoom meeting link will be provided

@buildperalta     

build.peralta.edu

Meet
The
Expert



Ashley Wilson

Accounting Client Manager
COSENTUS



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How to Manage Profitability & Cash Flow

Cosentus Accounting & Tax



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Introduction

Course Introduction

•One of the biggest challenges for construction and general contractors is effectively managing profitability and cash flow. Larger revenues & more jobs don't always result in more take home pay for the business owner. There are a few things that can be done to ensure the best possible position for you & your employees.

Outcomes of the Course

- The course will help a small business owner identify and develop:
 - Understanding of techniques that can improve cash flow
 - Tips for automating and speeding up payments
 - Ideas on how to train Project Managers on cash flow management





PART 1

**Using Cash Flow Forecasts
& Projections**



PART 2

Automate Invoicing & Payments



PART 3

**Train Project Managers
on Cash Flow Basics**



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PART 1

Using Cash Flow Forecasts & Projections

Using Cash Flow Forecasts & Projections

Part 1



It isn't easy to make projections about your future cash flow. In fact, it's a little more complicated in construction than it is in most industries because of the varying degree of jobs and the change orders on current projects.

One way to do this is by using cash flow management basics. By taking advantage of these tools, construction companies can get a general idea about the income and expenses they expect to see in the future.

Proper planning in anticipation of these events will help prevent payroll & payment problems.



Cash Flow Forecasts

Part 1



How to make a Cash Flow Projection

Many accounting software programs, like QuickBooks, will create current and past cash flow reports based on data already in the system, so don't spend hours working on this until you see if yours does.

We will walk through an example on the following slides.

Please refer to the Excel template "Cash-flow-projection-report-Example" in the provided materials.

ABC Construction - Cash Flow Projection Report				
Category	Jan	Feb	Mar	
Beginning Balance	\$ 550,000.00	\$ 620,500.00	\$ 635,500.00	
Operating Activities				
Projected Income	\$ 100,000.00	\$ 150,000.00	\$ 75,000.00	
Supplier Payments	\$ (14,000.00)	\$ (20,000.00)	\$ (10,000.00)	
Subcontractor Payments	\$ (25,000.00)	\$ (50,000.00)	\$ (25,000.00)	
Payroll Expenses	\$ (10,500.00)	\$ (10,500.00)	\$ (10,500.00)	
Interest Expense	\$ (1,000.00)	\$ (1,000.00)	\$ (1,000.00)	
Tax Expense	\$ (2,500.00)	\$ (2,500.00)	\$ (2,500.00)	
Office Expenses	\$ (1,500.00)	\$ (1,000.00)	\$ (2,500.00)	
Operating Activities Tc	\$ 45,500.00	\$ 65,000.00	\$ 23,500.00	
Investing Activities				
Truck Purchase	\$ 35,000.00	\$ -	\$ 35,000.00	
Bulldozer Sale	\$ 10,000.00	\$ -	\$ -	
Investing Activities To	\$ (25,000.00)	\$ -	\$ (35,000.00)	
Financing Activities				
Sale of Stock	\$ 200,000.00	\$ -	\$ -	
Building Lease Payment	\$ (50,000.00)	\$ (50,000.00)	\$ (50,000.00)	
Dividend Payments	\$ (100,000.00)	\$ -	\$ -	
Financing Activities Tota	\$ 50,000.00	\$ (50,000.00)	\$ (50,000.00)	
Net Cash Flow	\$ 70,500.00	\$ 15,000.00	\$ (61,500.00)	
Projected Bank Balanc	\$ 620,500.00	\$ 635,500.00	\$ 574,000.00	



Cash Flow Forecasts

Part 1



ABC Construct – Cash Flow Projection Report

Category	January	February	March
Beginning Balance	\$550,000.00	\$620,500.00	\$635,500.00
Operating Activities			
Projected Income	\$100,000.00	\$150,000.00	\$75,000.00
Supplier Payments	\$(14,000.00)	\$(20,000.00)	\$(10,000.00)
Subcontractor Payments	\$(25,000.00)	\$(50,000.00)	\$(25,000.00)
Payroll Expenses	\$(10,500.00)	\$(10,500.00)	\$(10,500.00)
Interest Expense	\$(1,000.00)	\$(1,000.00)	\$(1,000.00)
Tax Expense	\$(2,500.00)	\$(2,500.00)	\$(2,500.00)
Office Expense	\$(1,500.00)	\$(1,000.00)	\$(2,500.00)
Operating Activities Total	\$45,000.00	\$65,000.00	\$23,500.00
Investing Activities			
Truck Purchase	\$35,000.00	-	\$35,000.00
Bulldozer Sale	\$10,000.00	-	-
Investing Activities Total	\$(25,000.00)	-	\$(35,000.00)
Financing Activities			
Sale of Stock	\$200,000.00	-	-
Building Lease Payment	\$(50,000.00)	\$(50,000.00)	\$(50,000.00)
Dividend Payments	\$(100,000.00)	-	-
Financing Activities Total	\$50,000.00	\$(50,000.00)	\$(50,000.00)
Net Cash Flow	\$70,500.00	\$15,000.00	\$(61,500.00)
Projected Bank Balance	\$620,500.00	\$635,500.00	\$574,000.00



Cash Flow Forecasts

Part 1



Definitions of Cash Flow Activities

Operating activities include your income from sales, minus the cost of goods sold, labor expenses, and other costs of doing business.

- **Investing activities** include the purchase and sale of fixed assets (building, equipment, etc.).
- **Financing activities** include stock offerings and long-term debt. Your business may not be active in all three, so just report on the ones that apply.



Cash Flow Forecasts

Part 1



Example of Operating Activities

- **\$100,000** potentially received from customers
- **(\$14,000)** projected payments to suppliers
- **(\$25,000)** payments to subcontractors
- **(\$10,500)** payroll expenses
- **(\$5,000)** other business expenses, interest, taxes

Projected cash flow from Operating activities:
\$45,500.

Operating Activities	
Projected Income	\$100,000.00
Supplier Payments	\$(14,000.00)
Subcontractor Payments	\$(25,000.00)
Payroll Expenses	\$(10,500.00)
Interest Expense	\$(1,000.00)
Tax Expense	\$(2,500.00)
	\$(1,500.00)
Operating Activities Total	\$45,000.00



Cash Flow Forecasts

Part 1



Example of Investing Activities

- **(\$35,000)** purchase of a new truck (negative because cash is going out)
- **\$10,000** income from sale of bulldozer

Projected cash flow from Investing activities: **\$(25,000)**. The result is negative because we plan to spend more than we will take in.

Investing Activities	
Truck Purchase	\$35,000.00
Bulldozer Sale	\$10,000.00
Investing Activities Total	\$(25,000.00)



Cash Flow Forecasts

Part 1



Example of Financing Activities

- **\$200,000** projected income from sale of stock
- **(\$50,000)** building lease payment
- **(\$100,000)** projected dividend payment to stockholders

Projected cash flow from Financing activities: **\$50,000.**

Financing Activities	
Sale of Stock	\$200,000.00
Building Lease Payment	\$(50,000.00)
Dividend Payments	\$(100,000.00)



Cash Flow Forecasts

Part 1



Example Summary

Here is how our example shakes out:

- **\$45,500** cash flow from operations
- **(\$25,000)** cash flow from investing
- **\$50,000** cash flow from financing

That produces a **\$70,500** net positive cash flow for the period.

Analyzing each of the categories on a regular basis will help you spot trends & see exactly where you are losing or making money.

Obviously, you don't know exactly what your expenses and income will look like in the next 12 months, so all these figures are estimates. However, the best predictor of the future is the past! So use your actual cash flow from the last several months (or several years) to help you fill out a forecast for the future.



QUESTIONS?





PART 2

Automate Invoicing & Payments

Automate Invoicing & Payments

Part 2



Invoicing can be tedious. But they're an important part of your cash flow. You can definitely write up your invoices by hand, but you'd probably be better off by purchasing software to make your job easier.

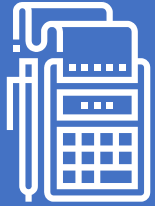
And remember, all invoices should be automated and sent as soon as possible. If you want to maximize cash flow potential, send invoices ahead of time.

Cash may be king, but make sure your business accepts different forms of payment including electronic payments. This ensures that your business is paid faster, which increases cash flow and allows for more capital to be used for day-to-day operations, payables, and growth.



Invoicing and Payments

Part 2



Best Practices (Invoicing)

Invoice on a timely basis with automated reminders.

Reduce invoicing errors with invoice templates.

Attach required documents electronically to invoices with workflow capability to avoid delays.

Send automated reminders and invoice copies to past due customers.

Provide online notes to expedite resolution of invoice disputes and collection problems.

Include online bill payment with a hyper-link on your invoice, so your customer can pay via credit card or ACH transfer through a secure payment portal.



Invoicing and Payments

Part 2



Best Practices (Payments)

Simplify the AP process and use an automation software (such as Bill.com for QuickBooks).

Improve invoice and file management. Try to digitize the data to name & store invoices in one management system.

Maintain supplier/vendor communication. Keep them informed of your automation efforts and how they can provide info to assist (i.e. file formatting, timing, etc.).

Go after early payment discounts, or ask for extended payment terms if no early payment discounts.

Develop AP related KPI's such as: Average cost per invoice, # of invoices received, # of invoices, processed, invoice cycle time, discounts captured, discounts missed, rate of wrong payments.



QUESTIONS?





PART 3

**Train Project Managers
on Cash Flow Basics**

Train Project Managers on Cash Flow Basics

Part 3

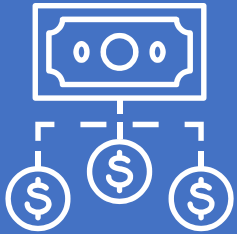


About 85% of cash in construction comes from project work in progress, which means cash flow performance depends on the project manager's cash flow management.

In addition to training, you can offer an incentive package that's based on cash flow performance. This is likely to be effective.

Cash Flow Basics

Part 3



Spread out Costs

Unless you're receiving a steep discount, never use cash to buy your supplies and materials. Instead, make sure you finance these purchases. Many suppliers provide contractors with financing options—credit cards, lines of credit, and loans.

Of course, you will be responsible for finance and interest charges. But you won't be out of pocket for the full amount, since you'll have to make regular payments.

This leaves more cash on hand for the business to continue operating. And you may even be able to write off the interest & other fees as business expenses.



Cash Flow Basics

Part 3



Shop for the Best Prices

It's always a good idea to comparison shop between suppliers to make sure you're getting the best price. Every supplier wants your business. If you let them know you're shopping for the best offer, a supplier is likely to give you the best deal possible, especially if you're not bluffing and willing to walk away.

By reducing costs, you're freeing up cash.

Shopping around for the best deal for supplies and materials can help boost your cash flow—just remember to finance your purchases rather than pay with cash.



Cash Flow Basics

Part 3



Approach Payroll Correctly

Payroll is different in construction than it is in most businesses. Construction, employees are almost always paid on a bi-weekly basis. To improve cash flow, you can hire subcontractors, which often are paid every four weeks.

This should only be done in special situations, however, as you'll get better results from permanent, full-time employees. Higher-quality work reduces the odds of accidents and project setbacks and increases the likelihood of repeat business, referrals, and new clients.



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Cash Flow Basics

Part 3



Process Change Orders Quickly

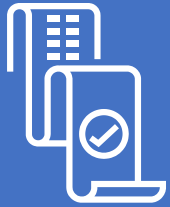
Change orders are common in construction. They're often the result of a project that requires more time, money, and/or resources than originally thought. Extreme weather also can play a role.

The project manager should process a change order immediately, rather than waiting until the project is complete. That money needs to be received quickly, which will positively impact cash flow.



Cash Flow Basics

Part 3



Avoid Over and Under Billing

Some project managers take pride in over-billing. Since this means the invoice will be higher than the job completed to date, current cash flow will increase. The downside is that it will reduce cash flow when the project is complete.

Cash flow takes a hit in the near term for companies that decide to under-bill their clients. So what's the best option? The best approach is to bill according to how much of the project has been completed.



Cash Flow Basics

Part 3



Set a Goal for Outstanding Day Sales

Having a goal greatly increases the odds of success. The average number of days it takes to get paid in the construction industry is between 60 and 90.

Strongly consider setting a realistic goal to reduce that number to 45 or 50 days. You can do this by sending invoices immediately, offering payment incentives, writing clear terms, checking credit reports before making any deals, and restructuring terms with non-payers.



The Bottom Line

Construction companies operate differently from most businesses because no project is the same. Therefore, improving cash flow requires some different strategies. A lot will depend on the project manager's ability to manage cash flow.

That being the case, be sure to hire a qualified project manager or to offer comprehensive cash flow management training to a current project manager.

Aside from having the right project management, a construction company should do everything in its power to increase the speed of receivables, which will improve cash flow.

Our Philosophy



- We are a United States based provider of a
 - services suite which includes payroll, benefits,
 - taxes, information technology, training, safety,
 - marketing, bookkeeping & strategic planning all
 - under one roof.
-
- “Simplify, strengthen and grow” is our internal
 - mandate to help you as a business owner reduce
 - complexity in managing your company and
 - create and maintain a strong organizational
 - structure that allows us to assist in the most
 - important way – to grow your business.

Phil Bridges
Senior Business Consultant



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QUESTIONS?



Build Peralta Bond Program Contact Information

GET INVOLVED

25% SLBE Participation Goal

PERALTA COMMUNITY COLLEGE DISTRICT

ALAMEDA COUNTY OFFICE OF THE ASSESSOR

ALAMEDA COUNTY OFFICE OF THE AUDITOR-CONTROLLER

ALAMEDA COUNTY OFFICE OF THE TREASURER

LEARN MORE
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