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Power up, pay less
3 strategies for managing your fuel costs

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Think fuel prices are low for good? Think again. The average price of gasoline in the second half of 2013 is on pace to remain less than $3.75 per gallon, according to the U.S. Energy Information Administration. That's nearly 50 cents below 2008's record-high prices.

But, as the U.S. economy continues to improve overall, demand for gasoline and other energy sources is expected to increase. This could push up the price at the pump. The good news is that there are ways to manage your fuel costs right now and going forward. Here are three to consider.

1. Enroll in a program

One way to make sure you're getting the lowest price possible for every gallon of gasoline or diesel is to enroll in a fleetwide fuel-purchasing program through a retailer. Like consumer rewards programs or credit cards, these programs offer rebates and incentives for buying all of your company's fuel from one vendor.

By allowing designated employees to make fuel purchases at any of the retailer's locations, fleet cards can offer flexibility and substantial savings on your overall gasoline and diesel bill. For example, one large national retailer offers a monthly per-gallon rebate as high as 4.5 cents for gasoline and 2.5 cents for diesel, and doesn't charge a membership fee if a contractor buys at least 5,000 gallons per month at thousands of nationwide locations.

If working through one fuel retailer isn't practical for your fleet, another option is participating in a network-based fleet savings program that includes several retailers. For example, one such program estimates its members save as much as 15% a year on fuel costs by filling up at more than 40,000 participating locations nationwide.

Whether network-based or retailer-specific, fleet fuel programs also offer the added benefit of increased fraud prevention and lower administrative costs. Most services provide real-time online analysis tools that can show you exactly how much gasoline and diesel your fleet is using. All of your monthly fuel expenses are on one bill and there's no need to reimburse employees for expenses.

2. Navigate technologically

Getting lost can be expensive. If your crews are routinely taking inefficient routes to job sites, they could be costing you hundreds of dollars per month in unnecessary fuel expenses.

For example, say a construction company has a 10-truck fleet with an average fuel efficiency of 10 miles per gallon. If each truck drives just 20 unnecessary miles a day for 20 business days in a month, that adds up to 4,000 miles per month. At $3.75 a gallon, the business would incur an additional $1,500 in monthly fuel costs! By installing even the most basic GPS navigation devices in your fleet vehicles, you can make sure your crews are always using less gas by taking the shortest and quickest distance from Points A to B.

If your fleet logs many hundreds of miles per week, you may want to consider more sophisticated onboard GPS devices. Some systems integrate logistics details, such as which of your drivers are regularly speeding or idling for excessive periods of time. Both are fuel hogs. They can also provide data that helps optimize your fleet usage to get the most out of every gallon of gas.

3. Be a stickler for maintenance

An unmaintained vehicle is a poorly performing vehicle. Regular oil changes and tune-ups, appropriate tire pressure and other recommended — but frequently disregarded — routine maintenance can save you a lot of money over time through fuel savings.

According to the U.S. Department of Energy, just making sure your trucks and vans have the right tire pressure can improve fuel economy by 3%. And regular tune-ups and using the right motor oil in your fleet vehicles can improve fuel economy by as much as 4%.

Regularly check in on your fleet managers to ensure they're enforcing a sound maintenance policy.

Many options to consider

These are just a few means of lowering your fuel costs. Others depend on the size, nature and usage patterns of your fleet. There also may be energy-related tax incentives that could help free up dollars for fuel expenses. Work with your financial advisor to find specific ways to power up while paying less. ■

Proposed EPA rules may increase gasoline costs

The U.S. Environmental Protection Agency (EPA) recently proposed vehicle emission standards that could force your construction company to pay 9 cents extra per gallon of gasoline.

In March, federal regulators proposed new restrictions on airborne sulfur levels that industry groups claim will dramatically add to the cost of producing gasoline. The American Petroleum Institute, an oil and natural gas trade association, estimates these new rules would add nearly a dime to the cost of a gallon of gasoline, as well as multibillion-dollar upfront infrastructure investments and annual maintenance costs.

In its research, the EPA acknowledges that its plan will increase the price of a gallon of gasoline, but only by 1 cent per gallon. The agency also estimates that its proposed changes will save more than $20 billion in pollution-related health care expenses in the next 20 years. As of this writing, the EPA's rule changes were still under review and wouldn't start until 2017. But this is a story worth following.

Contractors have options when it comes to financing

Relying on credit to cover lean times during projects or payment delays shouldn't be a habit. But, for many construction companies, it's a necessary reality in a challenging economy.

Although it's hardly easy to obtain financing, the market has expanded to include many options. So if you look carefully enough at suitable providers and their financing offers, odds are you'll find something to your liking. Let's take a look at some of the more common options available to contractors.

Taking out a loan

The most logical place to look for cash is your current bank. Assuming you have a good relationship with your bank and your business is in good standing, you should be able to obtain a conventional bank loan. There could be some roadblocks, however, if you:

- Can't show sufficient cash flow to assure repayment,
- Have a poor credit history, or
- Don't have sufficient collateral to cover the debt.

If finding the right bank loan proves elusive, you could engage a broker for help. Brokers don't lend money — they're experts at finding those who do. For a fee, a broker will generally perform a thorough review of your finances, discuss any problems involved in qualifying for a loan, including credit concerns, and then go out and find you the cash. Because brokers deal with multiple lenders, they can shop for you, identify suitable lenders and negotiate the terms.

Tapping the government

Of course, banks are not the only game in town. The U.S. Small Business Administration (SBA) offers a multitude of programs that bolster the ability of lenders to provide both long- and short-term financing to small businesses that might not otherwise qualify for traditional loans.

SBA loans offer the flexibility of longer repayment periods and looser affordability requirements than normal commercial business loans. The SBA's guarantee assures the lender that, if you don't repay the loan, the federal government will reimburse the bank, up to a certain percentage, which varies based on the loan amount. Even though the SBA backs the loan, however, you're still obligated for the full amount due.

To be eligible for SBA loan assistance, a construction company must have annual sales or receipts of not more than $6.5 million to $31 million, depending on the specific business

type. According to SBA.gov, special trade contractors max out at $14 million in annual sales or receipts, while heavy construction contractors max out at $33.5 million.

The SBA's primary program is the 7(a) loan, which provides a maximum of $5 million, with a guarantee of as much as 85% on loans of up to $150,000 and 75% on loans of more than $150,000. (The maximum guaranteed loan amount is $3.75 million.) Interest rates and other terms are negotiated between the borrower and an SBA-approved lender.

Drawing a line

If you don't want to take on the financial burden of a loan, consider getting a line of credit at your local bank to make up the difference between current spending needs and cash on hand. You can access a line of credit as you need the money and repay it as cash allows. You pay interest only on the outstanding amount.

For example, that means you could take $3,000 of a $10,000 credit line to meet a 30-day need, pay interest on it for that amount of time, pay it back, and then borrow again. By contrast, with a $10,000 loan, you would generally pay interest on the entire amount, whether you used all the money or not.

You can access a line of credit as you need the money and repay it as cash allows, paying interest only on the outstanding amount.

Keeping things in order

No matter where you go for financing, you'll need orderly, comprehensive financials. Without trustworthy documentation of your construction company's financial position, income, expenses, and cash flow, any conversation regarding an infusion of cash will likely be a short one. Keep your financial house in order and you'll stand a better chance of getting credit when you need it. ■

E-Verify 101: What you need to know

Companies across the United States increasingly are using the Internet to comply with our nation's complex labor and employment laws. And construction businesses are leading the charge.

Case in point: E-Verify. Launched as a pilot program in 1997, this online database confirms with virtual certainty whether an individual is authorized to work legally in the United States. Today, more than 400,000 employers use the online system. During the orientation period for new hires, it cross-references data maintained by the Social Security Administration and the U.S. Department of Homeland Security.

How it works

Chances are, new employees at your construction company go through a standardized on-boarding process on their first day of work. In addition to filling out benefits forms, meeting their new colleagues and receiving an employee handbook, they're presumably submitting proof of legal eligibility to work in the United States.

The list of acceptable identification — or combination of documents — can be confusing for employers and employees alike. The most common combination is a state driver's license and Social Security card, but there are a variety of other documents that are acceptable. This information is then used to complete the I-9 form, which must be maintained by your Human Resources department along with other employment-related documents.

> Once you've got E-Verify up and running, the database lets you know when it's time for certain employees to submit updated work authorization documents.

E-Verify takes all of the guesswork out of the I-9 process. Once your construction business is enrolled in the online program, a new employee's work status is confirmed through Homeland Security after you provide information such as name, date of birth, country of citizenship and work authorization eligibility information documents. (This is the same information required on the I-9 form.)

In most cases, a new employee's work authorization is confirmed immediately using the online tool. Other times, federal officials must review the matter before a final determination can be made — a process that may take a day or two.

What it can do

Once you've got E-Verify up and running, the database lets you know when it's time for certain employees to submit updated work authorization documents. In the past, an immigration attorney or Human Resources person was likely tasked with keeping track of when permanent residency or optional practical training documents were expiring. No more. With

E-Verify, you receive up-to-the-minute alerts on expiring documentation.

E-Verify also limits the potential for fraud through the use of photo-matching. This allows employers to compare the photograph on an individual's identification with the photograph maintained in the federal government's databases, virtually eliminating opportunities for mistaken identity.

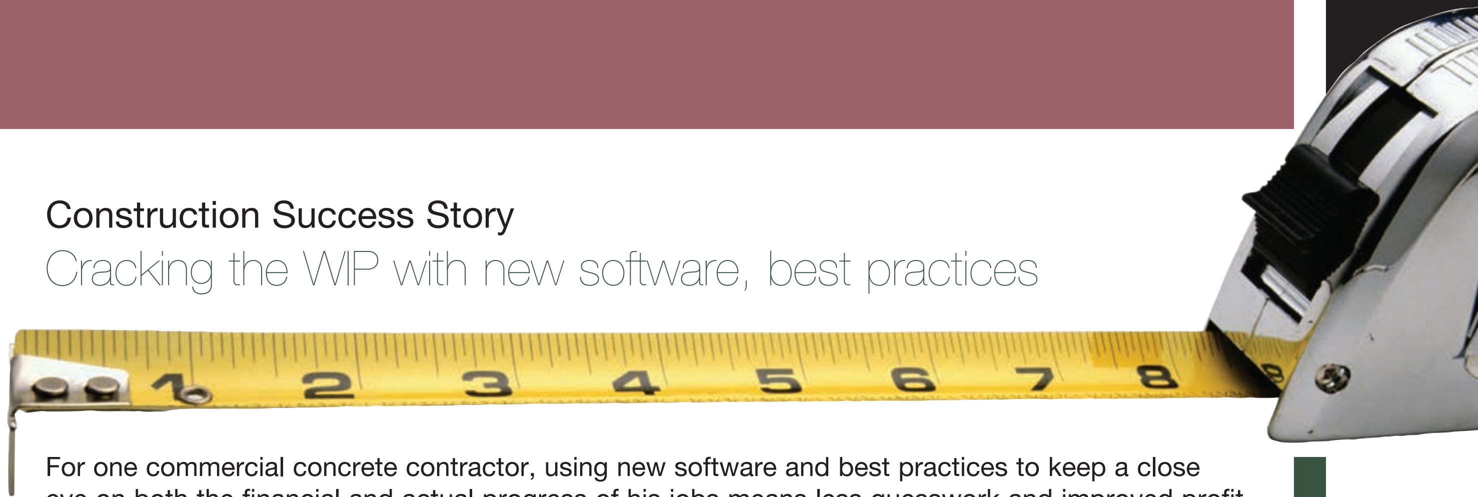
Where the road is headed

E-Verify isn't mandatory unless you do federal contracting work or maintain places of employment in Mississippi, South Carolina, Alabama and Arizona — all of which require use of the program under state law.

But laws requiring the use of E-Verify are evolving continuously at the federal, state and municipal levels. For example, Pennsylvania, Michigan and West Virginia require certain businesses to participate in the program. So, assuming you're not required to do so already, your construction company may want to voluntarily enroll in E-Verify now to get a feel for the system and perhaps even reap some of its benefits. ■

Construction Success Story

Cracking the WIP with new software, best practices



For one commercial concrete contractor, using new software and best practices to keep a close eye on both the financial and actual progress of his jobs means less guesswork and improved profit margins. But it wasn't always this way. For many years, the owner used an off-the-shelf spreadsheet program to generate his work-in-progress (WIP) reports. It got the job done, though the outdated software provided only a crude snapshot of his financials. After some of his competitors merged and profitability margins suddenly shrank, these reports made it difficult to know whether there was enough cash on hand to make payroll and pay the bills each month.

For help, the owner reached out to his financial advisor. She had some key suggestions about how to bring more predictability and transparency to his WIP reporting process.

Getting the info

The advisor's first recommendation was to update the company's accounting software. Before the recent market changes, the contractor had never been particularly concerned about using the latest technology. But he was starting to notice how slowly his company was able to move strategically compared with similar construction companies in the area. The advisor confirmed that, while cash is still king in today's business world, data is its first-born heir. Without the right information at his fingertips, the contractor would have a hard time keeping up with the competition.

Automating best practices

The new software made up-to-the-minute WIP reports and forecasting documents available at all times — even by smartphones and tablets out in the field. It also enabled the contractor to automate some best practices regarding his WIP reports. These included:

Closely tracking labor costs. Concrete work is extremely labor intensive and time sensitive. The contractor could keep better track of overtime and related costs.

Carefully regulating cash flow. Weekly payroll, equipment leasing and costly materials put additional stress on the company's bank accounts — especially when receivables went beyond 90 days. The updated software generated reports that showed exactly where the company stood from a cash perspective every hour of every day.

Better handling change orders. Construction projects are always evolving. The improved reports allowed faster processing of changes and expedited a quicker recoupment of additional costs.

Forecasting costs more presciently. The price of materials and equipment rentals is always fluctuating. The enhanced reports provided the latest committed cost tallies and other projection options.

Seeing the difference

Once the new system was operational, the contractor noticed the difference immediately. Better WIP reports kept his financial operations running more smoothly and made it much easier to forecast future needs and opportunities. ■