



**St. Louis
Local 36**



The *Business Side* of the Sheet Metal Business

Presented to Second Year Sheet Metal Apprentices

[Why This Program?]

- **Created by SMACNA National**
- **Targeted towards Non-Management employees**
- **Emphasizes the need to be competitive and cost conscious**
- **True costs of operating a Sheet Metal business**
- **Actual Local wages and fringes**
- **Not an estimating seminar**
- **Class participation a MUST!**



[Part 1: Getting Started]

- **Participant Survey**
- **The Scenario**
- **Company Structure**
- **Individual Bids**
- **Marketing & Contract Options**



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[Part 2: The Basics]



- **Actual Payroll Labor Costs**
- **Other Job Costs**
- **Overheads**
 - Shop
 - Administrative
- **Total Labor Costs + Overheads**



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JOURNEYMAN	65% APPRENTICE
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Union Wage:

Wage	\$30.12	\$19.58
Vacation	+ 3.01	+ 0.98
Total Wage	\$ 33.13	\$ 20.56

Union Benefits:

Health & Welfare	\$7.64	\$4.97
Local Pension	+ 6.55	+ 4.26
National Pension	+ 1.00	+ 0.65
SASMI	+ 1.46	+ 0.93
Other Funds	+ 1.47	+ 1.44
Total Hourly Benefit Package	\$ 18.12	\$ 12.25

Social Security (FICA):

Total Wage	\$ 33.13	\$20.56
	X 7.65%	X7.65%
	\$ 2.53	\$ 1.57

Unemployment Insurance:

Total Wage	\$33.13	\$20.56
	X 6.50%	X 6.50%
	\$2.15	\$1.34



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[Workers' Comp. Insurance]

- **What does Workers' Compensation take care of?**
- **Standard Labor Class Rates**
- **EMR: Experience Mod Rating**
- **Why manage the EMR?**
- **Our cost page 12**



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[Hourly Wage Summary]

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[Other Direct Job Costs]

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- Bonds
- Permits
- Subcontractors
- Rentals
- Drayage



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[Bid Bonds]

Guarantee to honor Bid Price and to provide P&P bond

- **Usually 5% of bid price**
- **Typically no cost to obtain**
- **Default penalty: 5% of the bid price**



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[Performance & Payment Bonds]

- **Protect OWNER from CONTRACTOR'S:**
 - Failure to complete a project
 - Failure to pay vendors, subcontractors or labor costs (wages & fringes)
- **Premium cost: 1% - 2% of contract value**
- **Paid by OWNER; included in the bid**



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[Shop Overhead]



- Develop Hourly Costs for S/M Shop
- Depreciation = Cost/Useful Life
- Equipment Cost = \$138,000
- Useful Life = 5 Years
- Annual Cost = \$27,600
- Cost per Hour = Cost/Manhours
- Hourly Cost = \$6.90



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[Automation]

- Investing to compete - \$70,000
- New Equip Cost = \$208,000
- New shop cost/yr = \$41,600
- Expected savings 35% of time
- 4,000 mnhours x 35% = 1,400 hrs
- Hourly labor cost = \$56.30



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[AUTOMATION:]

Old vs. New Cost

- Old Cost = $\$27,600 + 4,000 \text{ hrs} \times \56.30
- Old Cost = $\$252,800$
- New Cost = $\$41,600 + 2,600 \text{ hrs} \times \56.30
- New Cost = $\$187,980$

- Yearly Savings = $\$64,820$



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[General & Administrative Overhead]

- **Salaries, benefits, vehicles, building, office, insurance, professional, other costs**
- **Interest expense**
- **Total Cost = \$380,000 annually**
- **Cost per hour(10 employees)**
- **Hourly cost = \$19.00**



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[Total Labor and Overhead Costs]

(Pg 18)

- **Field Labor - \$56.30 + \$19.00**
- \$75.30/hour
- **Shop Labor = \$56.30 + \$25.90**
- \$82.20/hour



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Total Costs without Profit

= \$16,276.80



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[Profit]

- After all expenses are paid
- Necessary for growth and investment
- SMACNA Financial Survey
- National Average = 3.1% before taxes



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[Financial Speak]

- **Balance Sheet**

- Assets, Liabilities & Net Worth



- **Largest Asset?**

- **Is Net Worth always positive?**

- **Income Statement**

- Monthly and Annual Scorecard



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[Operations & Planning]

AN OPERATIONS EXERCISE

Please Participate!



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[Puzzle Photos Here]



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[Operations & Planning]

- **What did we learn?**
- **Planning & Job Scheduling**



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- **Be in the lead**
- **Plan before executing**
- **Efficient use of reasources**
- **Plan for safety**
- **Easier and more enjoyable**
- **Customers' perception**



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[Change Orders]

- An authorized order to perform revisions to design or needs
- Document: logs, signed tickets
- Unwanted and inevitable
 - Interrupt job flow, increase management time, decrease morale
- Full cost recovery is contentious
- 25% added hours on average



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- **Insert table**



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■ **Non-Union vs. Union Labor Cost**

- \$34.27 vs. \$56.30 per hour
- Union is 1.6 times more costly

■ **What's our response?**

- Training and craftsmanship, planning for efficiency, safety



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[Conclusions]

- **Awareness**
 - Cost & Competition
 - The Management Side
 - Profitability perception change
 - Failure is simpler than it appears
- **We're in this together to retain and recapture work.**



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