



How **NOT** to lose **\$147,500** in your Maintenance Operation

**TITLE ONE**
MANAGEMENT.COM

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NARPM “Fee Police” Disclaimer:

This is a discussion about maintenance operations profitability, any and all fees and charges being discussed are used as illustrative examples only. I’m not suggesting you charge any fees, change any fees or alter how you operate your business in any way.

I’m not a lawyer, I’m not an accountant so if I give what sounds like advice it is only an expression of my opinion and you should seek out expert advice from a qualified professional.

DESCRIPTION

In this session we will talk about the problems we have faced when managing a maintenance department / company, the losses that we've encountered and why they happened, followed by how we can improve on those areas to maximize profit and productivity.

We'll talk about strategies that we can use to avoid common problems, state the pros and cons of different models and finally review what we have settled on .



Here's what I did to
lose **\$147,500**

How to lose **\$147,500** in 3 easy steps

Step # 1 - Hire **Handymen Techs** and pay them **by the hour**.

Step # 2 - Go out and **buy vehicles** and **tools** for said handymen.

Step # 3 - **Trust** that said handymen are conscientious **hard workers** who know what they are doing.

3 Different **models**:

- Hire people **by the hour** and put them into trucks
- Sub out **everything** to outside companies.
- Hybrid of both



1st model : Techs in trucks by
the hour



PROS:

- Seeming **cost savings** hourly vs. retail pricing
- Able to **achieve professional look** at a cost.
- You get the **points/incentives** for material purchases

PROS:

- **Control**
 - Your software
 - Your **branding**/shirts
 - Pictures
 - **Individualized** training
 - They're right there so they can be dispatched on a **moments notice**
 - You are the **puppet master**

CONS:

- **Very expensive** when you track the total cost of staff, inventory kept on vans, shrinkage from theft or stupidity.
 - Tools
 - Trucks/vans
 - Gas
 - Insurance
 - vehicle maintenance
 - Lost productivity
 - Theft
 - Lies
 - Mistakes and rework
 - Squandered material

CONS:

- **Management intensive** (whole new business to run)
- **Extra labor:** tracking payroll, H/R, **vehicle tracking**
- **Risky** (lawsuits, etc.) **poor workmanship** that you have to make right.

CONS:

- **You still pay** labor even if they do poor quality work.
- Staff **not super productive**, no incentive to work quickly or efficiently.
- **Constant Training** required

CONS:

- **Workers income is somewhat fixed**
8 hours X \$30.00/hour = \$ 240/day.
- **Regulatory / Compliance issues: employment laws, etc.**

CONS:

- General Liability, **workers comp**, commercial auto, **payroll taxes**, vehicle maintenance/repair (tires, oil, batteries), amortized **cost of the vehicle**, cost of tools, replenishment/loss of tools, **vehicle inventory/stock**, GPS, etc.

CONS:

- Workers who **don't show for work** screw up your schedule for days at a time.
- Theft / guys doing **side work** with your vehicle/tools/material



2nd model: Sub out everything

PROS:

- **No cash outlay** until work occurs
- **Increased cash flow** if you have a 30 day terms with vendor
- **No pay** until job done correctly
- Little to **no training.**

PROS:

- Costs of managing people are **reduced**
- Look of **professionalism** more easily achieved.
- **Reduced insurance** exposure for workers comp / auto, etc.

CONS:

- Expensive for **retail labor**
- **Loss of control** (getting pictures)
- Potential for **diminished value perception** by owner if price is too high.
- Scheduling **can take time** - delay to tenant.

CONS:

- Management oversight **still needed.**
- **Communication** issues / phone tag with tenant, you might be stuck in the middle
- No guarantee of **quality work.**



3rd Model : Modified hybrid
approach & What worked
for me.

What does that look like?

- **Move guys out of trucks**
- **Convert them from hourly to pay by the job**
- **Sell the trucks and tools or finance them to workers.**

What does that look like?

- **Develop a pricing matrix that covers 80% of what you do.**
- **Pay a flat rate on labor plus a trip charge.**
- **You control the workers comp and G/L (Optional)**

PROS:

- Works to **human nature** *3 screw story*
- **Massive** cost savings
- Worker has **no limit** to what they can make, they are incentivized to work **quickly and efficiently**.

PROS:

- Unproductive workers **weed themselves out** since they can't make any money.
- **Increase in productivity** due to no pay if the work isn't completed
- Billing now becomes **super simple** since you have pricing matrix.

PROS:

- Sub worker is now **incentivized** to do things your way (pictures, enter into software, etc.)
- Worker is actually **happier** because they have **guaranteed work**, know what they are going to be paid, etc.

PROS:

- **Owner is happier** because they know with more accuracy where their pricing is going to land; you look **transparent** to owner prospects.
- You **maintain** the points/incentives for material purchases and **control of material** going into the property.

CONS:

- **Loss** of some control
- Potential for **lack of professional look**
- Things that fall outside the pricing matrix still have to be **evaluated** one off and priced out.

CONS:

- Vendor recruitment is **more difficult** (hard to explain how they make more \$\$, they have to see the big picture and be **motivated** and most guys doing this aren't).
- **Cost of staff** to oversee/manage material purchases **still exists**.



Other Considerations

- **Set up of company**
- **How to price**
- **Example workflow**
- **Software**

SET UP OF COMPANY

- **Division of Mgmt Co vs Stand Alone Company**

-Roles-

- **GM**
- **Estimator**
- **QA**
- **Admin.**
- **Job Coordinator**
- **VA's**



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HOW TO PRICE

- **Flat Rate**
- **Fixed % Markup**
- **Variable Markup**
- **Time + Material**
- **Vendor Rebate**



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Example workflow under the new system

**Kitchen Sink stopped up - determined to be
garbage disposal problem.**

How is Tech Paid?

Initial svc call assessment	\$44.30
Tech labor (could be tiered)	<u>+\$45.00</u>
Tech makes	\$89.30
G/L Workers Comp	<u>-\$ 7.68</u>
Net Payout to tech	\$81.62

How are we paid? (Service Call)

Svc call fee to client

\$76.00

Minus fee to tech.

-\$44.30

Net to Company

\$31.70

How are we paid? (Material)

Retail Price to Client

\$109.00

Material Cost

-\$95.00

Net Profit on Material

\$14.00

How are we paid? (Labor)

Retail Labor Price

\$75.00

Tech. Fee

- \$45.00

Net Profit on Labor

\$30.00

How are we paid? (Labor)

Profit on Svc Call	\$31.70
Profit on Material	\$14.00
Profit on Labor	<u>\$30.00</u>
Company Gross Profit	\$75.70

Example workflow under the new system

Cost to Client

\$260.00 (parts & labor)



Other Considerations

- Set up of company
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- **Software**

Software

- **Service Fusion**
- **Service CEO**
- **SkyBoss**
- **Service Titan**
- **Corrigo - *Facilities Maintenance**

Thank you

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Q & A

