

Reprint Cover Story - August 2009

Texas' 2009 Top Specialty Contractors

Firms survival strategies vary across market sectors

Many specialty contractors face tough decisions in difficult economic times.

By Debra Wood

Specialty contractors in Texas – from large, national entities to single-location firms – are feeling the pinch of the economic recession and taking steps necessary to survive.

“The Texas market has withstood this better than other regions where we are located,” says Alex Merrifield, president of ComNet Communications in Irving, which installs data communication systems. The company has branched into service and support and began installing wireless and audiovisual systems.



“We’re lucky to be in Texas,” adds Mark Zilbermann, CEO of Brandt Engineering, a mechanical and electrical contractor in Dallas but with offices throughout the state. The firm ranked No. 2 in this year’s Texas’ Top Specialty Contractors list. He says his firm’s revenue is down about 10% from last year, but in 2008, the company experienced significant growth. Brandt has developed a specialty in converting existing buildings into more energy-efficient structures.

Brandt is booking more public projects, such as work at Fort Sam Houston and the San Antonio International Airport, as well as health-care jobs, a mainstay in recent years. Brandt's health-care portfolio includes the \$100-million Texoma Medical Center in Denison for Brasfield & Gorrie of Birmingham, Ala.; the \$115-million Hillcrest Baptist Medical Center in Waco for Robins & Morton of Birmingham; and the Children's Medical Center of Dallas expansion for Balfour Beatty Construction of Dallas.



Brandt Engineering provided specialty contracting services at Dallas' Love Field Airport.

Zilbermann says Brandt is also "taking time to reinvest, work on operations and get better." The firm is adding a new fabrication facility, tools, equipment and training. John Juzswik, president and co-owner of Building Specialties, an insulation and fire-proofing contractor in Houston, says pursuing more complicated jobs pays off. The company is completing a fire-proofing renovation at a Tyson Foods processing facility in Austin and an expansion at George Bush Intercontinental Airport in Houston. Juzswik says few other firms chase the riskier projects, and completing one large job consumes less office and support staff time than do multiple small projects.

"I'm focusing on how I handle stuff," Juzswik says. "When things turn around, we will be a better company."

Heightened competition "There is still a lot of public work, higher-education and health-care work," says TEXO, an association that represents commercial contractors in North and East Texas, member Bob Bowen, executive vice president of Manhattan Construction of Dallas. But, he says, more subcontractors are bidding for the work that is available.

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Charles E. DeVoe III, president of Charter Builders, a division of Heery International, and South Central regional manager for Heery in Dallas, reports three to four times as many firms will bid now as compared to a year ago, with companies from out of town entering Texas markets.



Speed Fab-Crete fabricated this bridge in Frisco. It has a single-cell arch with head walls and wing walls, and crosses a retaining pond and a 24-ft span with a stone finish and field set. (Photo Courtesy by Speed Fab-Crete.)

“So many contractors have moved into Texas,” adds David Bloxom, president of Speed Fab-Crete in Fort Worth. Speed Fab-Crete has responded by concentrating on the manufacturing side of its business, building precast concrete bridge sections and retaining walls that are used in road projects. The firm is No. 134 in the Top Specialty Contractors ranking.

“It’s not a fun market right now, but it will change,” Bloxom says. “We’ve diversified and have products that will fit into the infrastructure, public marketplace. We’re not looking to do near the volume of last year, but we’ll do enough to keep the doors open.”



EMCOR's Gowan is installing HVAC and plumbing systems

Tony Guzzi, EMCOR Group president and COO, credits *for Rice University's new Duncan and McMurtry colleges in Houston. Photo courtesy of EMCOR.*

diversification with keeping his multistate, multispecialty corporation financially sound. EMCOR subsidiary Gowan of Houston is building and installing critical infrastructure systems—HVAC, exhaust, heat, recovery, plumbing, and medical gas—at the new \$218-million Methodist Hospital Research Institute in Houston. It also is installing HVAC and plumbing systems for Rice University's new Duncan and Burton and Deedee McMurtry colleges in Houston. As with other firms, EMCOR has reduced its workforce. The firm is No. 9 in the Texas ranking of Top Specialty Contractors.

“We're in for a bumpy two to three years, but we will live to play another day,” Guzzi says.

Merrifield adds that companies in Texas have more to be optimistic about than those in the rust belt. Even so, ComNet has selectively reduced some sales personnel and rolled back operations in two offices in new territory, staffing solely with field personnel to meet customers' needs rather than trying to develop a new market.

“We manage by cash flow; that's the dominant factor,” Merrifield says. As long as you keep that steady, it allows you to keep people in place and service at an even level. We saw this coming a year ago and made an effort to get our balance sheet in order.”

Gary Roden, executive vice president and COO of Aguirre Roden, a construction, engineering, architecture and program management firm in Dallas, says that for most subcontractors, “it's a matter of managing cash flow.” Roden says some specialty firms are bidding too low to earn a profit, in an attempt to keep people working, but he warns that will lead to trouble staying afloat in the long term.

“Underbidding is a good way to go broke,” Zilbermann adds. “Margins have been impacted, but we're in business to make money. If the margin is not commensurate with the risk, then we will not participate.”

Likewise, Juzswik says he won't touch a project that will pay less than his cost to do the work, yet he reports many people are shopping the numbers and will try to convince him to match someone else's low-bid.

Juzswik says that if a project looks doable, he will work with suppliers to try to bring material costs down and remain competitive. He adds that with labor shortages no longer an issue, he can employ the best workers, which allows for better quality and improved production.

Roden says he has not seen an increase in the number of specialty firms going out of business, but that does remain a concern.

“We are more closely scrutinizing subcontractors and are leery of using companies we have not used in the past and do not know well,” he says.

DeVoe says Charter Builders also evaluates specialty firms’ staying power and ability to manage projects. He says he has seen some companies close their doors rather than invest additional resources to survive the downturn.

Maintaining relationships Scott Coll, president and CEO of Commercial Flooring Systems in Austin, which is working at the \$150-million, 60-story Austonian luxury condominiums in Austin, says maintaining and developing relationships is critical. “Working with existing clients and staying in front of them is even more important now,” he adds. The firm chose not to report its revenue for purposes of the top-list ranking.



Earl Broussard, founder and president of TBG Partners in Austin, which provides landscape design and installation, has taken the relationship strategy to a higher level, offering to consult and provide full drawings at no cost to established clients, primarily commercial developers who cannot start projects until credit markets improve. In return, he asks only that the client assist someone else—to pay it forward. The firm ranked No. 89 in the top list.

Commercial Flooring Systems of Austin is working on the \$150 million, 60-story Austonian luxury condominiums in Austin.

“It’s about relationships, seeing activity and doing something that’s good,”

Broussard says. “My goal was to lend a hand to them because they

helped build our firm.”

Several entities have taken him up on the offer, including a community developer with a tract of land on which he plans to build a resort; the R.A. Bloch Cancer Foundation of Kansas City, Mo., which builds parks for cancer survivors; the Lance Armstrong Foundation; and the city of Temple, Texas.

TBG designed a park for the R.A. Bloch Cancer Foundation, which in turn donated \$1 million to the city of Austin for construction of the R.A. Bloch Cancer Survivors Plaza.

Most of TBG’s work now consists of public projects, but it still has a backlog. “It’s something magical,” Broussard says. “I’ve been more moved by their response than anything else.”

Preparing for a better future Stronger specialty firms are using available time to encourage employees to become LEED-accredited professionals, and many larger specialty mechanical and electrical contractors are taking advantage of their building information modeling capabilities, Roden says.

James P. Barrett, manager of virtual construction technologies at Turner Construction Co. in New York, adds, “For a Turner BIM project, all things being equal, a subcontractor’s BIM experience will be a tiebreaker in selection.”

Cameron C. Curtis, manager of business development, community affairs & BIM for Turner Construction Co.-Texas, calls BIM a mainstay in the construction industry, required by many clients. “Many factors go into the final selection of the construction manager, and the BIM capabilities do play a role in that selection process,” he adds.

Brandt has used three-dimensional modeling for years but is now starting to fully utilize it for purchasing and estimating.

“It will enable us to do a job more efficiently and better,” says Zilbermann, adding that providing both mechanical and electrical services also enhances coordination. The company is performing both trades at the Winspear Opera House in Dallas.

Coll has focused Commercial Flooring’s efforts on developing the talent to install higher-end stone and tile work. He has not cut back on education or training, knowing that staff will need the skills as work picks up.

As with other firms, Commercial Flooring is controlling expenses, with some layoffs and trimming of overhead, and maintaining good credit.

“Access to credit is pinnacle,” Coll says. “You have to stay financially healthy, so you can take advantage of opportunities now and in the future.”

Guzzi also talked about the need for liquidity to secure bonding.

Rob Morgan, president of Sunbelt Pools of Dallas, which builds swimming pools for municipal and institutional customers, says his firm has stayed busy with current projects at Rice University in Houston and Texas Tech University in Lubbock, but he adds that residential pool builders are attempting to enter the institutional market. The firm ranked No. 77.

“We’re seeing a lot unqualified people coming into the market, and I’m not sure how that will turn out long term,” Morgan says.

Not so bright for all specialty contractors Many specialty contractors have a decidedly darker take on the market.

“We’re surviving but not very well,” says Ron Allison, owner of Preferred Electrical & Mechanical in Fort Worth, which ranked No. 137. “Everything has shut down until we get more work, and we are trying to collect money from people who aren’t paying us.”



Allison has had to lay off people and says that crews, knowing there are no projects waiting, tend to drag out work on existing jobs, which adds to his overhead. “This is the worst I’ve seen in a long time,” Allison says. “It will turn around, but now everyone is scared and worried. Preferred recently completed work on Deer Creek Public Schools project in Edmond, Okla., and an office for the HILCO Electric Cooperative in Whitney.

Boenigk Masonry is working on the \$45-million Brazos County jail expansion in Bryan for Turner Construction Co.

Randy Boenigk, president of Boenigk Masonry in College Station,

reports that so many of the jobs he had under contract have been delayed that he has reduced the firm's workforce by 60%. The firm ranked No. 118. By August, if all of the projects move forward, as currently expected, Boenigk worries he will have too many sites needing masons and will have to release some of it, because, even with hiring back the laid-off workers, the company is not set up to handle an estimated at \$1.5 million a month in work.

"We had 2009 scheduled perfectly," Boenigk says. "It's a heartbreaker."

Boenigk Masonry is working on the \$45-million Brazos County jail expansion in Bryan, Texas, for Turner Construction Co. of Houston, and expects to start this summer on the Texas A&M Health Science Center for Satterfield and Pontikes Construction of Houston.

Boenigk is still bidding on work scheduled to start at the end of this year or in 2010.

"The amount to bid on is down 50%, and the amount of people bidding on what is out there has doubled," Boenigk says. "It's feast or famine, and it caught us hard this time."

Despite current difficulties, specialty firms remain valued players.

"Specialty contractors are our partners," Bowen says. "They are great at what they do, and are an integral element in everything we are doing."