



5 Secrets to Healthier Cash Flow

ASA Webinar, August 2024



Speaker

Claire Wilson

Co-Founder of Sitrine

About Claire Wilson

- Co-Founder of Sitrine
- Previous Project Manager at AECOM Tishman
 - JP Morgan headquarters
 - Hudson Yards
- 100+ interviews with subcontractors in 35+ states
- Board member Bay Area Subcontractor Association

Construction is one of the slowest-paying industries globally.

It takes 90 days on average to get paid in construction.

Source: [PWC Working Capital Report 21/22](#)



**Cash flow is the lifeblood
of your business.**

Today's Reality

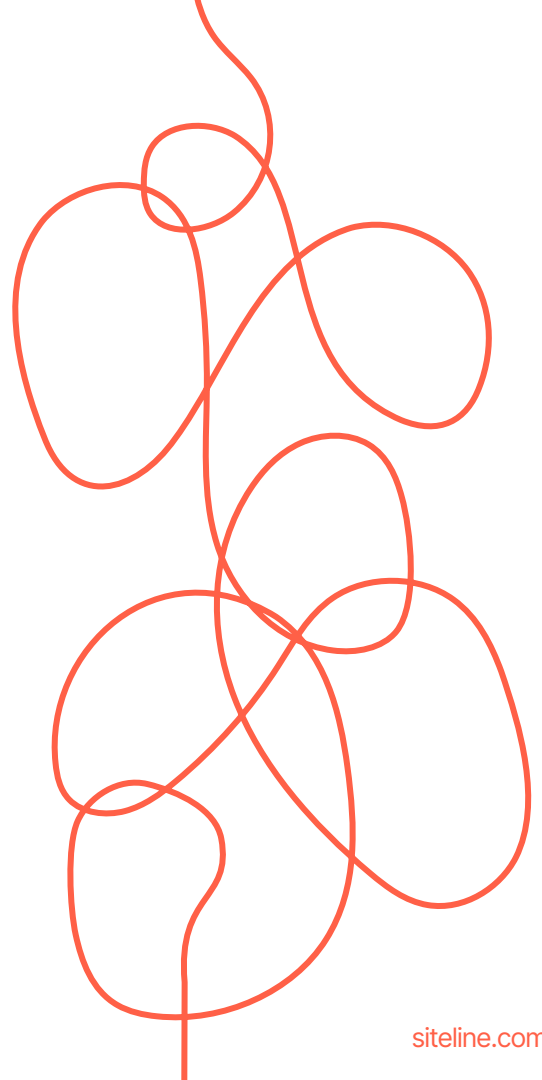
**Only 5% of subcontractors
report always being paid
on time.**

This forces trade contractors into perpetually negative working cash cycles.



What's Typical

- ▶ Every project has different requirements from the GCs.
- ▶ No accounting system/ERP can handle these variations, nor do they integrate with payment portals.
- ▶ Accountants create manual workflows that consist of spreadsheets, emails, Word and PDF documents, phone calls, etc.
- ▶ These workflows only exist in those peoples' heads and fail if they're out.
- ▶ There's no central place for executives to get visibility into the most vital aspect of their business: **cash**.



Learning Objectives

AKA The Secrets!

1. Identify the main causes of payment delays and know how to address them.
2. Manage change orders using best practices.
3. Improve collaboration between project managers and the back office.
4. Create an A/R escalation plan.
5. Leverage billing projections to understand future backlog.

Secret No. 1

Addressing Payment Delays

Contract Documents



SUBCONTRACTOR REQUEST FOR PAYMENT

SUBCONTRACTOR/SUPPLIER: Jumbo Contracting
 ADDRESS: 1001 Potrero Avenue
San Francisco, CA 94110
 BCCI JOB NUMBER: 1290481 INVOICE NUMBER: 18
 JOB NAME: Chase Center/GSW Arena SUBCONTRACTOR JOB NUMBER: 87414
 INVOICE DATE: 07/06/2023 BILLING PERIOD: FROM 06/01/2023
 TO 06/30/2023
 % AMOUNT

BASE CONTRACT AMOUNT:



APPROVED CHANGE ORDERS TO

Application and Certificate for Payment

BCCI CHANGE ORDER NO.

TO OWNER:
 GSW Sports LLC
 1 Warriors Way
 San Francisco, CA 94158
 FROM CONTRACTOR:
 Jumbo Contracting
 1001 Potrero Avenue
 San Francisco, CA 94110

PROJECT:
 Chase Center/GSW Arena
 1 Warriors Way
 San Francisco, CA 94158
 VIA ARCHITECT:

APPLICATION NO: 18
 PERIOD TO: 06/30/2023
 CONTRACT FOR: 884112
 CONTRACT DATE: 01/01/2022
 PROJECT NOS: 1290481

DISTRIBUTION TO:
 OWNER
 ARCHITECT
 CONTRACTOR
 FIELD

TOTAL APPROVED CONTRACT TO

CONTRACTOR'S APPLICATION FOR PAYMENT

Application is made for payment, as shown below, in connection with the Contract. Continuation Sheet, AIA Document G703, is attached.

1. ORIGINAL CONTRACT SUM	\$	3,190,885.00
2. NET CHANGE BY CHANGE ORDERS	\$	288,195.00
3. CONTRACT SUM TO DATE (LINE 1+2)	\$	3,479,080.00
4. TOTAL COMPLETED AND STORED TO DATE (COLUMN G ON G703)	\$	1,425,034.20
5. RETAINAGE:		
a. 10.00% of Completed Work (Column D + E on G703)	\$	142,503.43
b. 10.00% of Stored Material (Column F on G703)	\$	0.00
Total Retainage (Lines 5a + 5b or Total in Column I of G703)	\$	142,503.43
6. TOTAL EARNED LESS RETAINAGE (Line 4 Less Line 5 Total)	\$	1,282,530.77
7. LESS PREVIOUS CERTIFICATES FOR PAYMENT (Line 6 from prior Certificate)	\$	1,282,530.77
8. CURRENT PAYMENT DUE	\$	0.00
9. BALANCE TO FINISH, INCLUDING RETAINAGE (Line 3 less Line 6)	\$	2,196,549.23

CHANGE ORDER SUMMARY	ADDITIONS	DEDUCTIONS
Total changes approved in previous months by Owner	\$288,195.00	\$0.00
Total approved this Month	\$0.00	\$0.00
TOTALS	\$288,195.00	\$0.00
NET CHANGES by Change Order	\$288,195.00	

The undersigned Contractor certifies that to the best belief the Work covered by this Application for Payment Contract Documents, that all amounts have been paid Certificates for Payment were issued and payments are shown herein is now due.

CONTRACTOR:

By: [Signature]
 State of: _____ County of: _____
 Subscribed and sworn to before me this: _____
 Notary Public:
 My Commission expires: _____

ARCHITECT'S CERTIFICATE OF

In accordance with the Contract Documents, based on application, the Architect certifies to the Owner information and belief the Work has progressed as it with the Contract Documents, and the Contractor is e

AMOUNT CERTIFIED

(Attach explanation if amount certified differs from Application and on the Continuation Sheet that are e

ARCHITECT:

By: [Signature]
 This Certificate is not negotiable. The AMOUNT CE herein. Issuance, payment and acceptance of payment or Contractor under this Contract.

CONDITIONAL WAIVER AND RELEASE ON PROGRESS PAYMENT

NOTICE: THIS DOCUMENT WAIVES THE CLAIMANT'S LIEN, STOP PAYMENT NOTICE, AND PAYMENT BOND RIGHTS EFFECTIVE ON RECEIPT OF PAYMENT. A PERSON SHOULD NOT RELY ON THIS DOCUMENT UNLESS SATISFIED THAT THE CLAIMANT HAS RECEIVED PAYMENT.

Identifying information

Name of Claimant: Jumbo Contracting
 Name of Customer: Clark/Mortenson
 Job Location: 1 Warriors Way, San Francisco, CA 94158
 Owner: GSW Sports LLC
 Through Date: 06/30/2023

Conditional Waiver and Release

This document waives and releases lien, stop payment notice, and payment bond rights the claimant has for labor and service provided, and equipment and material delivered, to the customer on this job through the Through Date of this document. Rights based upon labor or service provided, or equipment or material delivered, pursuant to a written change order that has been fully executed by the parties prior to the date that this document is signed by the claimant, are waived and released by this document, unless listed as an Exception below. This document is effective only on the claimant's receipt of payment from the financial institution on which the following check is drawn:

Top Three Things That Delay Payment

1. Missing or incomplete lien waivers
2. Errors on pay application
3. Expired compliance documents

Payment Delays

Missing Vendor Lien Waivers

- ▶ Playing whack-a-mole

Errors on Pay Apps

- ▶ Spreadsheet-reliant processes
- ▶ Differing requirements from project to project

Expired Compliance Documents

- ▶ E.g., certificates of insurance

Forgetting to Bill

- ▶ Differing GC submission portals and due dates without an easy way to track them
- ▶ Overstretched PMs leaning on the accounting team to keep track of bills



Secret No. 2

Managing Change Orders

Best Practices for Managing Change Orders

1. Read the contract.
2. Over-communicate with GCs (they hate surprises!).
3. Document everything.
4. Use a system for better oversight.

Pay Apps SOV Forecast **Change Order Log** Settings

Request review

Total outstanding requests **\$25,500.00** Total approved **\$214,832.00** Proceeding without executed CO **\$30,000.00** Original contract **\$3,190,885.00** Contract sum to date **\$3,552,367.00**

All statuses

Search by name or number

Export

+ Create change order request



COR # ↑	GC #	Name	Status	Amount	Created	Submitted / Approved	
43	40	Additional Concrete for outside sidewalk	Approved	\$5,000.00	Nov 9	Nov 9 / Nov 9	Upload SCO
42	5	Added embed plate at CL 2.4	Approved	\$0.00	Oct 30	Dec 13 / Dec 13	
41	234	CO #12	Approved	\$10,000.00	Sep 18	Sep 18 / Sep 18	Upload SCO
40	—	Update to building 2a framing	Submitted	\$24,000.00	Sep 15	Sep 15	COR response
39	—	July 2023 Labor	Signed	\$1,500.00	Aug 30		
38	45	Added columns	Approved	\$2,250.00	Aug 22	Aug 22 / Aug 22	Upload SCO
37	—	Adding new Trim scope	Draft	\$15,000.00	Jun 16		
36	—	Additional Work on Structure 25	Draft	\$1,000.00	Jun 6		
35	789	New Footing at CL 12.3	Approved	\$5,500.00	May 31	Jul 31 / Aug 9	Upload SCO
34	—	Brick + Mortar Design Request	Draft	\$12,000.00	May 10		
33	154	No room in Corridor 2-12	Approved	\$4,000.00	May 4	May 4 / May 31	Upload SCO
32	223	Added scope of work discussed 3/31	Approved	\$1,500.00	Apr 4	Aug 11 / Aug 30	Upload SCO
31	—	Added embed plate	Submitted	\$1,500.00	Mar 1	Nov 28	COR response
30	015	Extra Wiring	Approved	\$850.00	Feb 17	Feb 17 / Feb 17	Upload SCO

Secret No. 3

Improving Collaboration Between Field and Back Office

Training PMs to Manage Cash Flow

- ▶ Billing projections and schedule
- ▶ Change order management
- ▶ Cost management
- ▶ Front-loading your SOV
- ▶ Communicating red flags

**This includes
collaboratively monitoring
A/R aging, too.**



Secret No. 4

Create an A/R Escalation Plan

Questions to Ask

- ▶ How often do you check A/R aging?
- ▶ Where does that information live?
- ▶ Is everyone able to access it?
- ▶ Do you discuss A/R aging with your clients?
- ▶ Are some quicker to pay than others?
- ▶ Does that impact if you will work with them?

Best Practices for Managing A/R

- ▶ Always track when a pay app has been submitted *and* paid.
- ▶ Identify which GCs pay the fastest, and which pay the slowest.
 - ▶ Be more aggressive in collecting payment from GCs that are lax about deadlines.
- ▶ Store your A/R aging info in a centralized place. The easier it is for people to access this info, the easier it is to establish and maintain an escalation process.

A/R Aging

Overview Billing **A/R aging**

[Tips & help](#)

< > April 2023

Search by number, name, GC

Billing type: **Progress only** | Project type: **All** | Office: **All** | Lead PM: **All** | GC: **All**

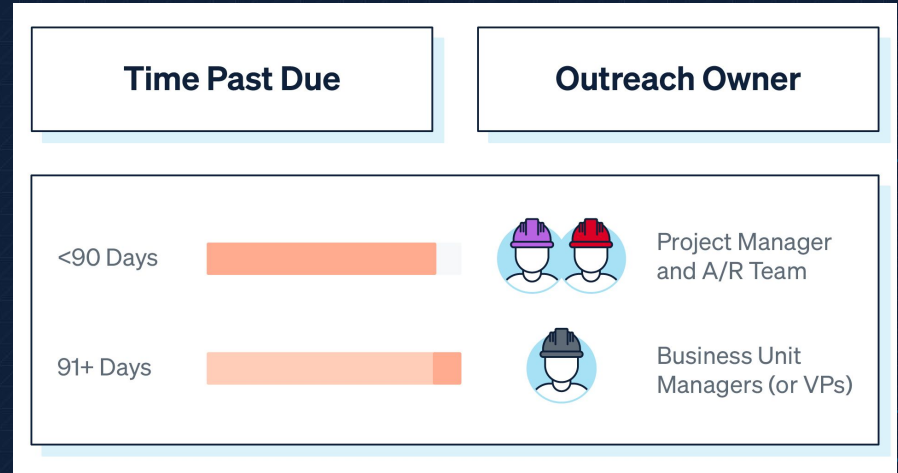
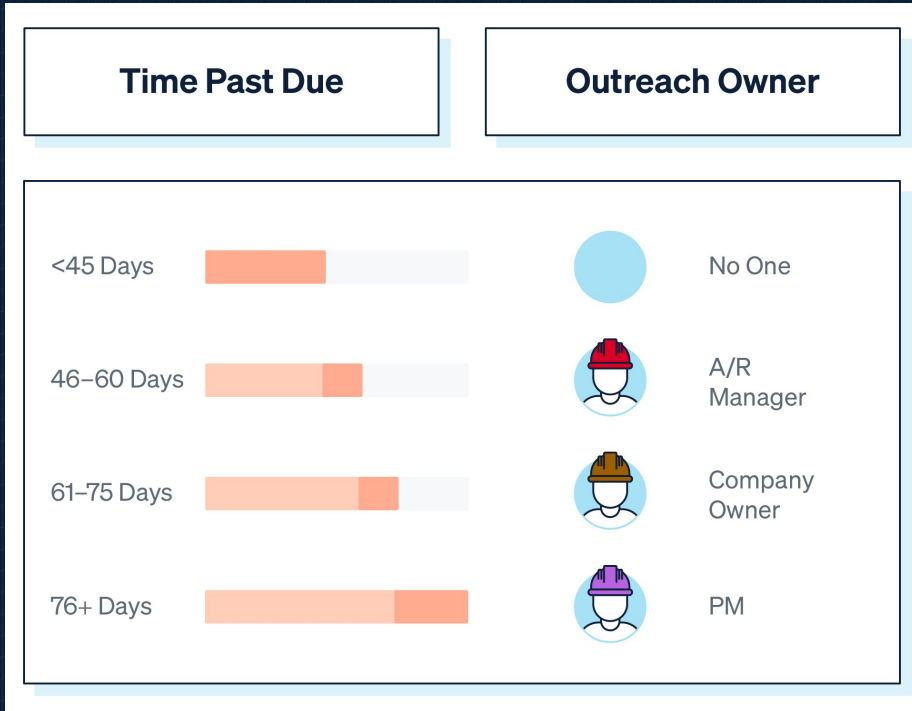
Pay apps outstanding
\$2,291,970.97
 ↓ -0.7% MoM

Total **\$2,291,970.97** >120 days
 ↓ -0.7% MoM

Avg. time to paid (last 6 mo.)
103.9 days
 ↓ -3.5% MoM

#	Name ↓	Current	>30 days	>60 days	>90 days	>120 days	Total
342338703	11x12 Claire's Construction	\$0.00	\$0.00	\$0.00	\$0.00	\$101,160.00	\$101,160.00
20089	500 Unit Mixed Use Residential Building Swinerton	\$0.00	\$0.00	\$0.00	\$0.00	\$56,700.00	\$56,700.00
43515	Apple Grove Tract 84323 Truebeck Construction	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
17832	Chase Center Webcor	\$0.00	\$0.00	\$0.00	\$0.00	\$933,522.33	\$933,522.33
285043	Empire Facade Upgrade XL Construction	\$0.00	\$0.00	\$0.00	\$0.00	\$2,250.00	\$2,250.00
1325	Facade Maintenance Clark Sullivan	\$0.00	\$0.00	\$0.00	\$0.00	\$100.00	\$100.00

Examples of A/R Escalation Plans



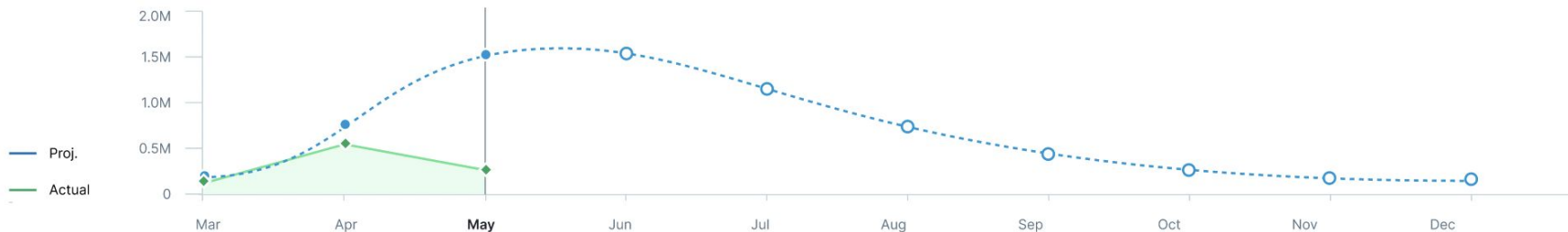
Secret No. 5

Leveraging Billing Projections

Total contract value **\$10,000,000.00**
 Left to bill **\$10,000,000.00**
 Start date **March 2023** [✎](#)
 Duration **10 months** [✎](#)

Remainder **\$83,124.90** Options [▼](#)

Use different preset



Proj.	\$231,000	\$850,000	\$1,520,000	\$1,000,000	\$1,540,000	\$620,000	\$360,000	\$240,000	\$220,000	\$220,000
Actual	\$218,921	\$791,032	✎ \$458,231	-	-	-	-	-	-	-

Edit invoice

> Show SOV

5 Secrets to Healthier Cash Flow

1. Address the main causes of payment delays.
2. Effectively manage change orders.
3. Improve collaboration between project managers and the back office.
4. Implement an A/R escalation plan.
5. Leverage billing projections to understand future backlog.


Q & A



Fancy a chat?

Contact Claire

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Thanks for joining us!