

**Technical
Training
Series**

WATTS # 11



General Condition vs. Overhead Costs

- **Overhead** – Reoccurring costs that are not an actual component of the construction work, but are costs associated with running a construction Company.
- **General Condition** – Direct project expenses which cannot be attributed to a specific job task but are required to construct the project. These requirements are associated with specific ‘rules of the job’.

Question to be asked: “Would the cost exist if the specific project did not occur”? If the answer is yes, it is likely overhead. If the answer is no, it is likely a general condition cost.

Office Overhead

Office Rent	\$ 48,000.00
Executive Salaries/Office Employees	\$ 550,000.00
Estimator	\$ 95,000.00
Trade Journals	\$ 2,500.00
Office utilities	\$ 10,000.00
Telephone	\$ 7,000.00
Advertising	\$ 5,000.00
Legal and accounting	\$ 20,000.00
Entertainment Expense	\$ 15,000.00
Education	\$ 10,000.00
Insurance (general)	\$ 15,000.00
Misc Expense	\$ 10,000.00
Total	\$ 787,500.00

- To determine overhead percentage, annual company overhead costs are estimated and divided by the anticipated job revenue, e.g.:

$$\$787,500 / \$10,000,000.00 = 7.88\%$$
- Therefore: Company overhead is calculated to be 7.88% of the total job revenue.

Project General Condition

Superintendence	\$ 102,000.00
Temporary Office/enclosures	\$ 10,500.00
Temporary toilets/utilities	\$ 7,500.00
Protection of new work	\$ 2,500.00
Rubbish removal	\$ 16,000.00
Permits	\$ 5,000.00
Layout/Survey	\$ 3,500.00
Payroll Taxes*	
Bonds	\$ 25,000.00
OSHA	\$ 18,000.00
Insurance*	
Total	\$ 190,000.00

- To determine General Condition cost **do not use a percentage of job cost.**
- Contractor must understand the “rules of the Job”.
- Each item identified as a General Condition should be estimated the same as any other task.

*Some contractors will include these costs in the labor rate.