

Business heats up in Phelps

Harold Smith Jr. is president of Halco Plumbing and Heating and its affiliated firms

By MARY STONE

In Halco Plumbing and Heating's headquarters an old photograph of a dirt-smudged teenager standing proudly in a basement, next to a boiler he built himself.

Harold Smith Jr., commonly known as Hal, received the photo by mail a few years ago—and unexpectedly. Looking at it reminded him of the chance he had to learn his trades, thanks to a mentor who gave Smith a job when he was 12.

Anxious to earn some pocket money, the opportunity generated a sense of pride in Smith. Learning one trade ignited a desire to learn more.

At his plumbing, heating and air-conditioning company, Halco in Phelps in Ontario County, Smith this year opened a school to give others the chance he had.

Getting that opportunity to learn, he explains, has become difficult in rural areas.

"Unfortunately, the local Wayne Finger Lakes BOCES has closed down most of their adult education, so in these small-town areas, short of going to Rochester or Syracuse, this kind of training isn't available," Smith says.

He developed the school in partnership with Monroe Community College, which administers the program. Students pay tuition to MCC and attend class at Halco, where Smith recently completed construction of a student workshop and classroom.

Halco's school has 21 students, mainly dislocated workers who, for Halco's program, attend class 40 hours a week for 25 weeks.

"My main motivation for doing this is to hire qualified employees. And there's no question that out of the 21 students, we'll end up hiring a good share of them," he says.

Smith worked to develop the school through Finger Lakes Works Investment Board Inc. in Geneva, which he serves as vice chairman.



Human resources, Smith says, is far and away the most challenging part of his business. Smith employs 125 workers—a far cry from the handful he employed in the mid-1980s, one or two years after starting Halco.

The firm last year logged \$16.7 million in revenues.

Having four to 10 staffers is the do-or-die stage for residential service companies such

as Halco. Balancing new installations with service is the challenge. Early on, he says, entrepreneurs must decide to stay small or grow fast to stay afloat in the industry.

But the business cycle is predictable, Smith explained. And starting is easy.

"What happens is you don't have any previous work that you're responsible for during the first year and a half to two years. So everything you're doing you're giving

a bill and getting revenue for it," he says.

But one to two years later, when service orders start to arrive, customers expect free service.

If you are a small operation, it becomes more difficult.

"When you're caught in the middle with four or six guys, that's the worst place to be in this business because you don't have enough volume to get any kind of economy of scale, but you still have all of the same overhead," Smith explains.

A lot of manufacturers do not extend warranties. For those who do, the crediting process is so complicated and lengthy that the effort and time required sometimes cancels out the benefits, Smith says.

For an entrepreneur to succeed in this industry, Smith says, "You've got to realize you're in a customer service business, and you've got to do what's best for the customer."

Getting a start

Smith learned that lesson as a boy working for a plumber in Geneva who took a liking to Smith during a church trip to Niagara Falls.

"He passed away a few years ago," Smith says. "He was kind of my mentor: Took me under his wing."

When he entered high school, Smith enrolled in a two-year plumbing and heating course through BOCES. Immediately after graduation, he went to work for Victor Plumbing and Heating, installing and servicing systems during the day and attending MCC for air-conditioning classes at night.

After four years, he completed his degree and launched Halco Plumbing and Heating from his native Phelps.

Smith was 22 at the time and newly married. His wife, Tammy, worked at Mobil Chemical Co. but left to join her husband's business. Today she is co-owner, vice pres-

ident and chief financial officer.

The commute to Halco was short—the shop was the bedroom of their mobile home.

"When we went to move out we had to replace the floor in the mobile home because so many pipe fittings had broken the floor," Smith says laughing.

"But it was exciting because we did it together," Tammy says, "And back then it wasn't as expensive to live as it is now."

"We like to remember when we were renovating a bathroom on a third story, and she was the one who had to carry the tools up and down the three flights of stairs," Smith laughs. "She came and joined me as a helper, and she's been with me ever since."

New ventures

The firm has done business as Halco, but because the name was registered by another New York firm, Halcyon Inc. was incorporated. In the last two decades, the businesses under Halcyon have developed in concert with each other.

Moving from its origins as a residential plumbing and heating installation and service contractor, the firm began taking on commercial work in 1994.

Halco Plumbing & Heating Service for commercial customers and its segment for residential installation each logged \$2.5 million in annual revenues last year, the company states.

Out of the company's commercial work, design work for commercial customers developed into the Halco Mechanical division. It represents the largest chunk of Halco business.

In 2004, the Smiths formed Halco Electric to extend further its commercial services. Last year, the segment merged with Halco Mechanical to form Halco MEPS, which provides mechanical, electrical, plumbing and sprinkler design build services to commercial clients.

Annual revenues for the MEPS division totaled \$7 million in 2007.

Around when MEPS was launched, the firm was seeking additional space for its expanding equipment inventory. In his search, Smith found an equipment supply business in Lyons that fit his needs.

He named it PBS Supply Co. for Positively Better Service. PBS rents excavators and other equipment, supplying contractors and all of Halco's businesses. The shop logged \$4 million in 2007 revenues.

In 2006, the firm developed another subsidiary—HomeEnergy Performance by Halco, which eventually got Smith into a new business—insulation.

The firm sought out training through the

Business Performance Institute Inc. to obtain accreditation in the field of home energy testing. Halco got 10 employees certified in home energy analysis and repair, Halco spokesman Duane Pancoast says.

Smith says BPI shows technicians how to look at homes as an entire system. Technicians evaluate how energy is lost and how it can be better used by using software that provides payback analysis for different measures, such as window replacement, furnace replacement or air sealant technology.

Once Halco's Home Energy subsidiary started testing homes, it became clear the division would have to add insulation services to its offering. Smith hired an insulation expert and went on to purchase three rigs to deliver the insulation.

"It's funny how our business has changed. Sometimes we go into a call for someone who wants an estimate to replace their furnace and we walk out saying, 'Your money isn't best spent on a new furnace. It's better to spend on insulation. You're going to get faster payback and a better bang for your dollar,'" Smith says.

"Who would have ever thought we would be turning away furnace sales—our primary business," Smith says. "But sometimes it's the right thing for the homeowner."

In recent annual revenues, Halco's Home Energy business logged \$700,000.

With its new divisions and supporting equipment, such as PBS' insulation and sealant rigs, Halco had to expand its space.

In January, the firm completed a six-month construction project that more than doubled its headquarters to 22,000 square feet.

With the expansion, Halco was able to house its school classroom, provide a service bay for company vehicles, storage for sensitive equipment and another division, a fabrication department Smith opened four months ago.

"We have been dabbling with fabrication for years and years, but we didn't have an official department. We did that hand-in-hand with the classroom, because the students needed a place to get their experience. What we're able to do with the fabrication piece is to take things and move them into a controlled environment," Smith explains.

Halco has stations organized around the fabrication shop that mimic the environment where systems will be installed.

"Outside, we fight the wind and the snow and the mud. The biggest variable in our business is those elements," Smith says.

With the added space, the firm now can complete 75 percent of the job indoors before it goes to the customer.

There, as students take measurements and pound sheet metal, they resemble a

Harold Smith Jr.

Title: President, Halco Plumbing and Heating

Age: 46

Education: Completed certificate programs at Monroe Community College

Family: Wife, Tammy; sons, Seth, 21, and Brock, 17; daughter Paige, 8

Home: Phelps

Activities: Travel and motorcycle riding

Quote: "As I sit here now, what is the success of Halco? It's all of those people."

young Hal Smith, standing next to his first completed furnace.

Smith gets excited by the pride students take, and the pride his employees take.

He hired many of his key employees when they were teenagers. Smith and his wife talk excitedly about the progress they have made over their careers and the certifications they have obtained.

Like proud parents, the Smiths have a wall of employee letterboxes, to each of which is affixed a photo of the employee and a running list of the certifications and awards obtained.

Focus on education

Education was key at Halco long before Smith started his school.

For years, Halco has run in-house apprentice programs for its employees. For existing employees, Halco offers 15 weeks of course work in the fall and 15 weeks in the spring.

Tammy Smith said the company has been lucky to find young talent, keep it and groom it. Young employees, as they have stayed with the firm, have evolved into some of the company's best managers, she said.

"As I sit here now, what is the success of Halco? It's all of those people," Hal Smith says.

Karen Springmeier, executive director of Finger Lakes Workforce Investment Board, says Smith always has been his employees' biggest advocate.

"He's very committed to his staff and their own professional development. He's very proud of them, and it's obvious," she says.

He wants to show high school students the different paths to skilled trades, Springmeier explains.

She describes him as a man on a mission. Three years ago he started working on a project with local schools to introduce students to these pathways.

Called Finger Lakes Works with their Hands, the program has presented skilled trades to more than 800 high school students in counties including Wayne, Ontario, Seneca and Yates.

"You've got to realize you're in a customer service business, and you've got to do what's best for the customer."

For this year's event, Smith has started visiting school guidance counselors to get the word out.

"He also has spoken to our school superintendents in the region," she says. "They meet monthly, and Hal addressed them back in March with another board member, to talk about the importance of educating students in the areas of advanced manufacturing and skilled trades—to let them know that there are great employment opportunities out there after high school."

Smith's son Seth, 21, is an example. He works full time at Halco as he completes his degree in heating and air conditioning from MCC. On Sundays, he works at Halco's supply company, PBS. He takes after his hardworking parents, who in turn took after their parents.

Both Tammy and Hal grew up in five-child households where the parents held multiple jobs at a time.

"We didn't come from families with

money or any means. That's been a challenge over the years as we've tried to grow. There are no resources except our own put back into the business. We don't have any rich relatives to sweeten the pot for us," Smith says with a laugh.

Today, the couple spends most of every week working. And when they are not doing that, they are parenting. In addition to Seth, the Smiths have their son Brock, 17, and daughter Paige, 8.

The couple recently celebrated their 25th wedding anniversary with a ceremony to renew their vows. When asked how they have managed to work side by side for 24 years, Tammy said it has been easy.

"I think over the years, he has had his part and I have mine. Normally, he's dealing with the guys in the field, and I've always been in the office and handling the financials," she says.

"Twenty-four years isn't a long time," Hal says. "If we've had challenges it's been growing and expanding faster than our means."

Pancoast said Smith has an innate sense of business.

"When he sees an opportunity he goes for it," Pancoast said.

Springmeier says the same is true of his passion for education.

"He's very committed to creating that pipeline for the industry, whether it be through the emerging worker—the young person interested in a career in the field—or for the dislocated worker who needs retraining in an industry that will give them a steady career."

Springmeier says, "He's a leader, a visionary and a guy who gets things done."

mstone@rbj.net / 585-546-8303